AUDITOR-GENERAL
SOUTH AFRICA

CONSOLIDATED GENERAL REPORT ON NATIONAL AND PROVINCIAL AUDIT OUTCOMES

2023-24

Scan to download this report

Scan to access the content on our reports website

ANNEXURES

Annexures containing information on the following are available on our reports website (pfma-2023-24.agsareports.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

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

CONTENTS

A culture of performance, accountability, transparency and institutional integrity will strengthen trust in public institutions

As an audit office, we aspire to steer public administration towards fulfilling its mandate and living up to the democratic values and principles enshrined in section 195 of the Constitution. We do this by working with others in the accountability ecosystem to influence a shift in public sector culture to a state where it is consistently characterised by performance, accountability, transparency and institutional integrity. Such a culture will strengthen the trust that people have in public institutions. A relationship built on trust between a country's people and its government is critical to maintaining social cohesion and realising national aspirations.

National and provincial government are instrumental in building trust by delivering basic services such as healthcare, education, housing, safety and security, water and sanitation, and social security; and for ensuring an environment that is not harmful to the health and wellbeing of South Africans. The country depends on departments and public entities to provide and maintain essential infrastructure and to deliver on programmes that enable economic opportunities and growth.

In his address at the opening of Parliament in July 2024, the president announced that the Government of National Unity has resolved to dedicate the next five years to actions that will advance delivery on these responsibilities by focusing on three strategic priorities: promoting inclusive growth and job creation; reducing poverty and dealing with the high cost of living; and building a capable, ethical and developmental state.

For the administration to successfully deliver on these priorities, institutions across the national, provincial and local government spheres must systematically and purposefully plan and work together within a culture of performance, accountability, transparency and institutional integrity.

Looking back over the term of the 6th administration, the ability of national and provincial government to transparently report on their finances and performance improved. However, those auditees with the biggest impact on the lives of South Africans and on government finances did not yet demonstrate quality service delivery, good performance, and strict financial and compliance disciplines. This administration dealt with the covid-19 pandemic and various disasters, including the floods in KwaZulu-Natal and the Eastern Cape. In my office's special reports, we highlighted the good work done by government in dealing with these disruptive events, but also reported on weaknesses in how auditees responded.

The start of the 6th administration's term coincided with the implementation of our enhanced mandate to improve accountability and to ensure that action is taken to address material irregularities. The impact of the material irregularity process gradually increased over the administrative term. This impact can be seen in financial losses being prevented and recovered; actions being taken to address financial and performance management weaknesses, the misuse of public resources and the harm caused to the public due to negligence; and consequences for transgressions being implemented.

The 7th administration now has the opportunity to build on the successes and address the challenges of those who came before them to improve the capacity of institutions to deliver on their mandates and the key programmes and priorities of government.

As an office, we will continue to share our insights widely, advance tailored recommendations, and advocate for leadership at all levels of government to play their part in shifting the culture in national and provincial government.

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 departments, public entities and legislatures for working with us during the audit process.

I remain convinced that capable, cooperative, accountable and responsive institutions delivering on their mandates is the key to building trust between our people and our government. I encourage the new leaders to use the information and insights presented in this report to guide their planning and oversight over the administrative term. I am also hopeful that the report will encourage all South Africans to be active participants in the accountability ecosystem.

TMaluleke 26/11/2024

Tsakani Maluleke
Auditor-General

SUMMARY

Improvements over previous administration should be accelerated to positively impact lives of South Africans

This general report includes insights from our audits over the term of the 6th administration. It reflects on the lessons learnt from that administration to empower the new political leadership in the executive, Parliament and provincial legislatures as well as all other roleplayers in the accountability ecosystem to focus on key issues that will enable performance, accountability, transparency and institutional integrity – and, ultimately, enhanced service delivery.

In our previous general report, we acknowledged the improvement in audit outcomes, but cautioned that progress was slow at the high-impact auditees that have the biggest impact on the lives of the people of South Africa. These auditees contribute to the delivery of health services, education, skills development and employment, human settlements, infrastructure, transport, safety and security, water and sanitation, energy as well as environmental and financial sustainability. They also include state-owned enterprises and other key public entities.

This report reflects on the outcomes of the 6th administration, builds on our previous messages, and recommends specific areas of focus for the 7th administration.

AUDIT OUTCOMES

The audit outcomes improved from 2018-19 (which was the last year of the 5th administration) and the number of clean audits increased from 93 to 142. More auditees improved their audit outcomes than regressed every year over the term of the administration. By 2023-24, 139 auditees had improved their outcomes and 50 had regressed – an overall net improvement of 24%.

The high-impact auditees were responsible for approximately 77% of the 2023-24 expenditure budget of national and provincial government. These auditees continued to improve at a slower pace than other auditees. Until there are significant improvements at these auditees, the benefits of good financial and performance management will not be reflected in service delivery.

Provincial government plays a significant role in implementing government's service delivery priorities. Provincial outcomes showed an overall net improvement of 31% from 2018-19. The biggest net improvements were in North West (56%), followed by the Free State (44%), KwaZulu-Natal (33%)

and Gauteng (30%). The Western Cape, Gauteng, KwaZulu-Natal and the Eastern Cape are the provinces with the highest number of clean audits.

The audit outcomes of the legislature sector improved significantly from 2018-19, showing a net improvement of 60%. Parliament and eight of the provincial legislatures now have clean audits, setting the example for other sectors.

Over the administrative term, we have seen some encouraging signs of improvement in the three areas we audit, which should be sustained and built on by the new administration, but we have also noted some areas of concern:

- The unqualified opinions on financial statements increased from 70% to 82% and performance reports with no material findings from 60% to 71%. Although the quality of financial statements and performance reports that were published and used for oversight purposes improved, the versions we received for auditing at most auditees continued to be materially misstated. If auditees had not made corrections based on our findings, only 57% of financial statements would have been unqualified and 48% of performance reports would be without material errors.

- The auditees who repeatedly submitted their financial statements late for auditing or did not submit them at all were mostly state-owned enterprises.

- The improvements in the quality of financial statements were mostly due to improved controls, stability in finance units, limited changes in accounting frameworks, and support provided by provincial treasuries.

- The improvements in the quality of performance reports were often not due to the efforts of the auditee, but rather due to refinements of performance plans over the administrative term based on reviews and support by coordinating institutions and national sector departments as well as in reaction to our findings.

- Non-compliance with key legislation remained high with 60% of auditees materially not complying with key legislation in 2023-24, most of them being high-impact auditees. Non-compliance with legislation resulted in irregular expenditure of R406,83 billion over the five years.

Our conclusion, based on the audit outcomes, is that the institutional capacity to consistently produce transparent and credible financial and performance reporting is not yet in place. The continued high level of non-compliance means that most auditees have not institutionalised controls to ensure compliance with legislation. It is indicative of the non-compliance being tolerated with little consequences and a lack of management disciplines.

Just over 40% of auditees obtained an unqualified audit opinion with findings. This is not a desirable outcome and auditees should not stagnate in this category as they currently do. Even though their financial statements might be unqualified (often due to corrections made based on our findings), the material findings on performance mean that their performance reports are not credible and the material findings on compliance signal a disregard for legislation or significant lapses in control. They could easily lose the unqualified status due to these remaining challenges in their control environment.

SERVICE DELIVERY RISKS

While we do not review the performance of government, our work provides insight into weaknesses in national and provincial government that will remain obstacles to the achievement of the National Development Plan 2030 if not decisively addressed by the new administration. These risks to service delivery are as follows:

- Government services and basic services such as education, healthcare, housing, transport and water cannot be delivered without **infrastructure**. The country's existing infrastructure must also be properly maintained to ensure that it remains in a workable and safe condition throughout its lifespan.

  Our audit work over the administration incorporated numerous site visits to inspect the progress on and quality of infrastructure projects. We identified and reported on significant deficiencies every year – in 2023-24, we reported findings on 86% of the 143 projects we visited. All too often, infrastructure delivery projects are delayed, are costing more than planned or the work done is of poor quality. There are also delays in newly built infrastructure being put to use. Once again, we report on existing infrastructure that is deteriorating because it is not properly maintained.

- The modernisation and integration of **systems** and the harnessing of the benefits of technology is a cornerstone in improving the capacity of state institutions and the effective delivery of services. However, the project management weaknesses and gaps in intergovernmental coordination of infrastructure projects are also evident in the delivery of new systems and technologies. Projects are delayed and cost more than planned. Implemented systems are underutilised and often not integrated with existing systems in government.

  The global emergence of hackers targeting government institutions requires increased control and vigilance around cybersecurity. We annually assess cybersecurity controls to alert auditees to vulnerabilities that can be exploited through a cyberattack. In 2023-24, we identified control weaknesses at 70% of the 77 auditees we tested in this regard. The impact of national and provincial government not adequately protecting their systems is evident from the recent, well-publicised incidents of successful cyberattacks.

- Departments and public entities are dependent on service providers and contractors to deliver on their projects and programmes and to support their operations. **Continued non-compliance with procurement legislation** leads to unfair and uncompetitive processes, which often result in financial losses and contractors not delivering what they were contracted to do. Poor contract management and a reluctance to hold suppliers accountable for late and sub-quality delivery is one of the main root causes of project failures and financial loss.

Through the material irregularity process, we have identified multiple cases of financial loss and harm to the public due to procurement and contract management non-compliance and suspected fraud. In total, 63% of auditees had findings on non-compliance with procurement and contract management legislation in 2023-24; findings at 23% of auditees were material.

- Overspending and the **poor quality of spending** reduce the already limited funds available. The main reasons for the continuing financial losses and waste, especially at high-impact auditees, were poor payment practices, uncompetitive and uneconomical procurement practices, limited value and benefit for money spent, and weaknesses in project management. The fruitless and wasteful expenditure over the five years totalled R10,34 billion.

  The funds government budgets for service delivery activities are reduced by claims made against departments, and by auditees overspending their budgets and being in poor financial health. The budget overspending over the five years was R38,83 billion. By the end of 2023-24, the estimated settlement value of claims against departments totalled R105,57 billion and 41% of auditees had a combined deficit of R69,33 billion.

- The **no-consequence culture** in national and provincial government will continue to slow down progress towards improved service delivery and financial performance. When officials face consequences for their actions, this helps auditees to both recover the losses caused by those officials and deter others from disregarding legislation and perpetuating a culture where officials are paid their salaries without fulfilling their responsibilities.

  The lack of consequences is most evident in the following areas: poor and slow response to investigating allegations of financial and supply chain management misconduct and fraud indicators; investigating and dealing with irregular expenditure and fruitless and wasteful expenditure; and material non-compliance with legislation on consequence management.

IMPACT

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

In this report, we illustrate the impact by looking at four specific areas:

- The state of clinics, regional hospitals and information and communication technology systems used in the **health sector** remains an obstacle towards quality public healthcare services. The reported achievements in the performance reports of 80% of the departments were not reliable (materially misstated).

- The implementation of the mathematics curriculum for grades R, 5, 9 and 11 and the school nutrition and learner transport programmes of the **basic education sector** displays shortcomings, which reduce the intended impact of these programmes and their effectiveness for schools and learners. The reported achievements in the performance reports of 70% of the departments were not reliable (materially misstated) and 70% did not include all the required indicators in their plans and reports to measure progress towards achieving some of the Medium-Term Strategic Framework priorities.

- The audit outcomes in the **water and sanitation sector** point to continuing weaknesses in institutional capacity. The water boards faced financial health challenges due to non-payment by municipalities. However, the quality of spend in the sector was also not well managed, as evidenced by high levels of irregular and fruitless and wasteful expenditure as well as non-compliance with procurement and contract management legislation, and the 14 material irregularities we raised on financial loss. Every day, the public experiences the impact of delays in the delivery of infrastructure projects and the non-achievement of targets set for water quality, reduced water losses and reliable supply.

- **State-owned enterprises** continue to struggle with financial viability, which is made worse by weak financial and performance management, instability and governance shortcomings. The bailouts and financial guarantees for these institutions put further pressure on government finances.

MATERIAL IRREGULARITIES

The Public Audit Act was amended in April 2019 at the beginning of the 6th administration's term. It gave us the mandate to identify and report on material irregularities and to act if accounting officers and authorities do not deal with them appropriately.

The material irregularity process contributed to improved accountability and oversight as well as the protection of resources. Financial losses of an estimated R3,39 billion have been recovered, are in the process of being recovered or have been prevented in national and provincial government.

In total, 48% of the 292 material irregularities we have identified since 2019 have been resolved, by auditees:

- preventing or recovering financial losses
- preventing further harm to the general public and public sector institutions
- preventing further underutilisation of material public resources
- implementing consequences for those responsible for the irregularities
- improving internal controls to prevent the irregularities from recurring.

Most accounting officers and authorities took action to resolve material irregularities. However, where the material irregularities were not dealt with swiftly or with the required seriousness, we included recommendations in audit reports, took remedial action and referred matters to relevant public bodies for investigation.

RECOMMENDATIONS TO NEW ADMINISTRATION

Through the insights from our audits during the administrative period and the real-time audits we performed on the funding for covid-19 and flood-relief initiatives, and our experience with the material irregularity process, we identified three main shortcomings in national and provincial government that hold back progress. We reported on these root causes throughout the term of the administration:

- Inadequate intergovernmental planning, coordination and support
- Ineffective resource management
- A culture of no accountability and consequences

To address the root causes, improve service delivery and proactively manage the risks that can derail the progress made, we recommend prioritisation and oversight focus by the newly elected executive authorities and the members and committees of Parliament and the provincial legislatures (oversight) on five key matters:

- Intergovernmental and institutional planning for delivery on the Medium-Term Development Plan
- 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 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 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

Reflecting on audit outcomes over 6th administration

This report reflects on the overall audit outcomes of national and provincial government and legislatures over the term of the 6th administration, covering the 2019-20 to 2023-24 financial years.

The report includes detailed observations and insights from the audits of the last year of the administration's term, namely the financial year ended 31 December 2023 for technical and vocational education and training colleges and 31 March 2024 for departments, public entities and legislatures.

The audit outcomes and results of water boards for their 2022-23 financial year are included, but only in section 4 and not in the overall analysis. Water boards have a 30 June financial year-end, which means that their audit outcomes were not yet available when preparing this report.

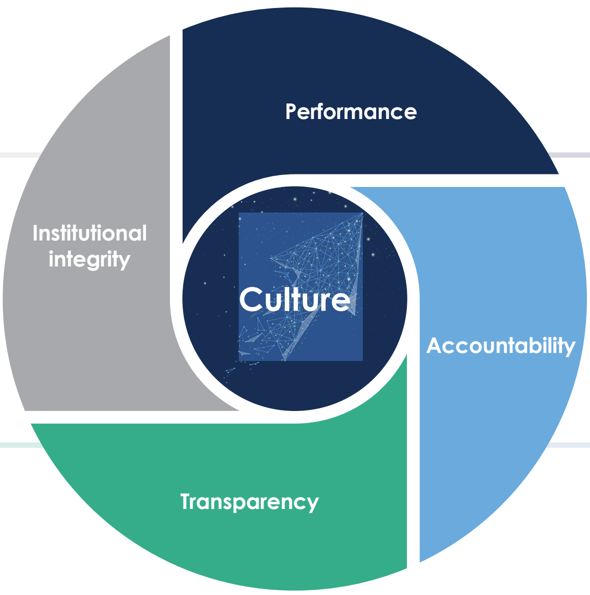
Auditees in the national and provincial spheres play a key role in delivering services, driving overall government programmes (including those affecting local government), and overseeing a significant portion of the public purse. National and provincial departments are also closely interconnected and play an important role in achieving the vision outlined in the National Development Plan 2030.

To achieve the goals and aspirations of the 7th administration whose term started in July 2024 and ultimately create a better life for the people of South Africa, departments, legislatures, public entities and technical and vocational education and training colleges should strive for a culture of performance, accountability, transparency and institutional integrity. In the Constitution, such a culture is envisaged as the basic values and principles that should govern public administration. Throughout this report, we reflect on these characteristics of an effective public sector culture.

Characteristics of an effective public sector culture

Implement and maintain **institutionalised controls** to ensure leadership and officials **behave ethically, comply with legislation and act in best interest** of institution, **avoiding conflicts of interest**

Demonstrate commitment to improving lived realities of South Africans by **delivering on legislated mandate and strategic objectives aligned to people's needs,** being **financially sustainable,** and **avoiding harm to public and public sector institutions**

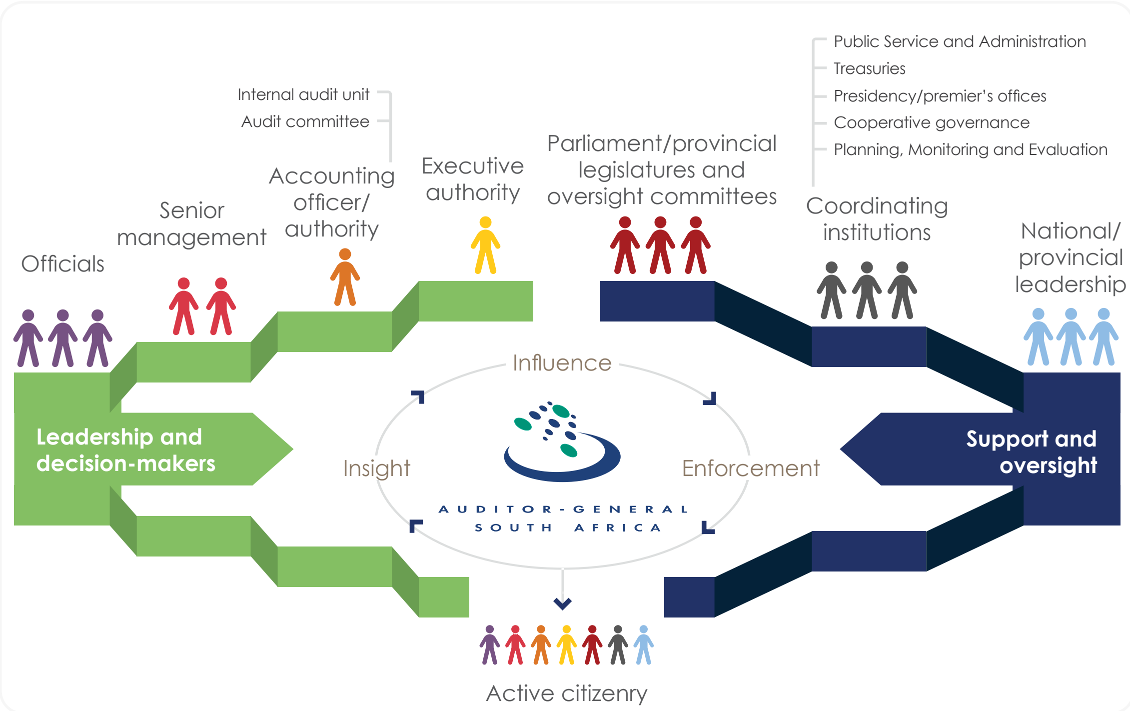


Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

Be responsive to public, oversight and other stakeholders through **reporting and providing answers on mandated responsibilities fulfilled, actions taken and decisions made;** ensure **swift consequences** for transgressions and poor performance

We also continue to use the accountability ecosystem to pinpoint all those with a role to play in enabling this culture in national and provincial government and legislatures.

Accountability ecosystem for national and provincial government



As South Africa's supreme audit institution, **our role** is to audit every department, public entity and technical and vocational education and training college as well as Parliament and the provincial legislatures, and to report on what we have found during our audits.

Through our reports, we inform the executive authorities (ministers and executive council members) and the legislatures of the quality of auditees' financial statements and performance reports, the status of their compliance with key legislation, and whether we have identified any material irregularities. We direct our reports to **executive authorities and legislatures** because these roleplayers are key to providing oversight and in-year monitoring. They also use the financial statements and performance reports to determine whether auditees have used their budgets as intended to achieve service delivery objectives and to assess the impact on the lived experiences of South Africans.

We also look at areas that can contribute significantly to an auditee's success, such as financial and performance management, infrastructure development and maintenance, the control environment (including information technology controls), procurement and contract management, consequence management, and delivery on key government programmes.

Ultimately, **accounting officers and authorities** are responsible and answerable for how auditees perform and manage their finances for the benefit of all South Africans. **Audit committees and internal audit units** play an important role in providing an independent view of the effectiveness of auditee controls and processes, while legislation requires **coordinating institutions** to support auditees by enforcing good financial management and overseeing performance planning, budgeting, monitoring and reporting.

An active citizenry is crucial for holding national and provincial leadership accountable to the people of South Africa. Active citizens take an interest in the running of the country, and make their voices heard on issues that have an impact on them or their communities. They can do so by attending public meetings and debates of the committees in Parliament and their provincial legislature; making submissions to Parliament or the legislature outlining their views on matters affecting them, such as input on proposed legislation; or handing in written petitions dealing with requests or complaints to Parliament or the legislature.

The success of national and provincial government rests on the ability of this whole accountability ecosystem to work together: for all roleplayers to not simply operate within their silos, but to function collaboratively with an awareness 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 ecosystem as a whole. It also means, in the case of poor audit outcomes, that the entire accountability ecosystem has failed – up to executive and oversight level.

This report is therefore directed to all roleplayers in the accountability ecosystem and summarises the insights and recommendations that we have already shared with them during our audits and in preparation for tabling this report.

Content of the report

This report summarises our key messages in the following areas:

1. The **state of national and provincial government and legislatures** over the 6th administration's term, dealing with:
   - Overall audit outcomes
   - Service delivery risks
   - Key government priorities
   - Material irregularities
2. **Recommendations** to the new administration
3. The state of provincial government in each of the **nine provinces**
4. A summary of the **material irregularity concepts and process** and an **audit fact sheet** that provides information on the audits we performed and an explanation of the numbers used in this report

In support of greater transparency that will enable accountability, our reports website (pfma-2023-24.agsareports.co.za) includes detailed annexures that provide the key results for each department, public entity, technical and vocational education and training college, legislature, and water board.

02

AUDIT OUTCOMES OVER ADMINISTRAT

Audit outcomes improved but high levels of non-compliance and lack of institutional capacity persist

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 is in place to regulate responsible and effective financial and performance management; the protection of public funds and resources; and the fiduciary duties of leadership and officials to behave ethically and act in the best interest of the state, and to ensure that there are consequences for transgressions and poor performance.

This section focuses on the audit outcomes over the administrative term and the status in 2023-24 (as indicated), based on our audits of the financial statements and performance reports of auditees, as well as their compliance with key legislation. These outcomes indicate the degree to which transparency, accountability and integrity had been institutionalised in national and provincial government by the end of the administrative term.

2.1 OVERALL AUDIT OUTCOMES

The audit outcomes improved from 2018-19 (the last year of the 5th administration), with more auditees improving their audit outcomes each year than regressing. The number of clean audits also increased over the period.

Movement in audit outcomes from 2018-19 – all auditees

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2018-19 Last year of previous administration	93	177	98	3	28	0	**399**
2022-23	146	164	75	4	15	8	**412**
2023-24	142	168	58	4	5	38	**415**
	34%	41%	14%	1%	1%	9%	
2023-24 Percentage of expenditure budget R2,07 trillion (operating and capital)	13%	57%	15%	2%	1%	12%	

Movement from previous year 58 ▲ 44 ▼

Movement from 2018-19 139 ▲ 50 ▼

Net improvement from 2018-19 ▲ 89 (24%)

From 2018-19, provincial government showed a net improvement of 51 (31%) and national government a lesser improvement of 38 (18%). Further insights on the improvement in provincial audit outcomes are included in section 7.

Audit outcomes by auditee category

The improvement in audit outcomes was evident across all categories of auditees.

Movement in audit outcomes from 2018-19 – per auditee category

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Total	Movement from 2018-19	Net improvement from 2018-19
Departments								
2018-19	33	63	42	0	3	141	55 ▲ 10 ▼	▲ 45 (30%)
2023-24	54	79	16	0	0	149		
Parliament and provincial legislatures								
2018-19	3	6	1	0	0	10	7 ▲ 1 ▼	▲ 6 (60%)
2023-24	9	1	0	0	0	10		
Public and trading entities								
2018-19	51	90	34	2	21	198	59 ▲ 29 ▼	▲ 30 (18%)
2023-24	74	60	29	4	4	171		
TVET colleges								
2018-19	6	18	21	1	4	50	18 ▲ 10 ▼	▲ 8 (17%)
2023-24	5	28	13	0	1	47		

We highlight the audit outcomes of departments and public entities separately as they have different accounting frameworks and governance structures, and they need to comply with slightly different legislation. Almost a third of **departments** improved their audit outcomes over the administrative term, while **public entities** had a smaller improvement rate, most of the disclaimed and adverse opinions, and more outstanding audits.

We specifically include the **legislature sector** in this report as Parliament and the provincial legislatures have an important role to play in the accountability ecosystem. These structures are independent of national and provincial government and are therefore 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, and is responsive to the needs of its people.

Auditees in the legislature sector are not governed by the Public Finance Management Act, but rather by the Financial Management of Parliament and Provincial Legislatures Act. They apply the same accounting framework as departments, but their act has slightly fewer requirements, including on performance reporting and planning.

The audit outcomes of the legislature sector improved significantly from 2018-19. The nine auditees with clean audits are now well positioned to provide credible oversight of national and provincial government actions and financial practices, and to facilitate accountability for government performance and spending. The Eastern Cape Provincial Legislature must address its compliance findings on expenditure management to return to its previous clean audit status.

Technical and vocational education and training (TVET) colleges play a vital role in South Africa's economy. They 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 are governed by the Continuing Education and Training Act. They apply the same accounting framework as public entities in preparing their financial statements, but they are not required to report on their performance.

The audit outcomes of this category of auditee continued to be poor, although there was some improvement over the administrative term.

High-impact auditees

In our previous general reports, we consistently highlighted the need to pay specific attention to state-owned enterprises (SOEs) and auditees in key service delivery portfolios. We have been refining our messaging and aligning it to our strategic intent of providing audit insights on those auditees that have the biggest impact on service delivery and financial performance.

The auditees that we term **'high-impact'** auditees 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 are responsible for approximately R1,6 trillion (77%) of the expenditure budget of national and provincial government.

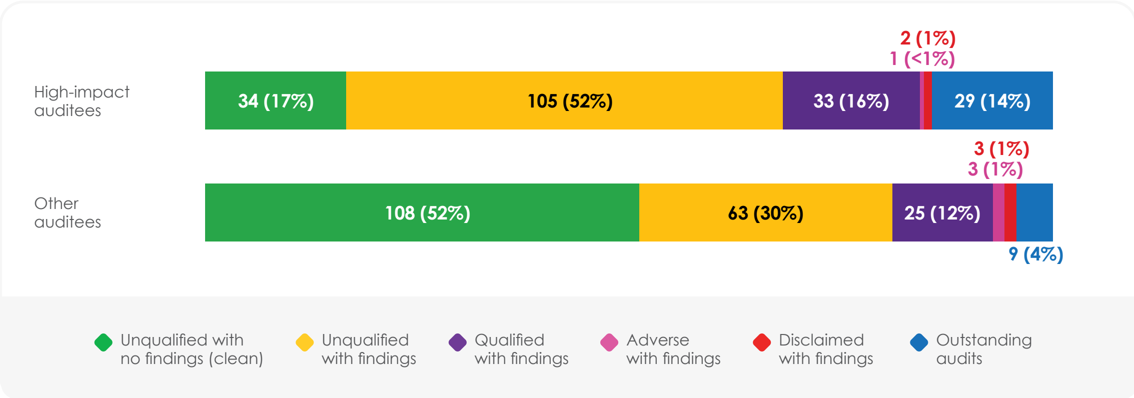
Movement in audit outcomes from 2018-19 – high-impact auditees

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	Total
2018-19 Last year of previous administration	27	89	64	1	16	0	197
2022-23	39	94	50	2	12	5	202
2023-24	34	105	33	1	2	29	204
	17%	52%	16%	<1%	1%	14%	

Movement from 2018-19 63 ▲ 25 ▼ **Net improvement from 2018-19** ▲ 38 (22%)

While the audit outcomes of high-impact auditees have improved since 2018-19, auditees from this group account for 76% of all outstanding audits and 54% of all modified audit opinions (in other words, qualified, adverse and disclaimed opinions).

Audit outcomes in 2023-24 – high-impact auditees vs other auditees



Over the administrative term, high-impact auditees have consistently had worse audit outcomes than other auditees. Their 22% net improvement in audit outcomes over the period was also slightly lower than the 25% of other auditees.

A list of these high-impact auditees, along with their audit outcomes and key results, is available as an annexure to the general report on our reports website (pfma-2023-24.agsareports.co.za).

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 is not always an indicator of good service delivery. However, a clean audit positions an auditee to transparently communicate to the public on whether and when their needs will be met through accurate records, which 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 142 auditees (63 departments and 79 public entities) that achieved clean audits in 2023-24 managed R266,28 billion (13%) of the R2,07 trillion expenditure budget in national and provincial government.

Movement in number of auditees with clean audits from 2018-19 and auditees close to clean audit status

Retained clean audit status	65	Improved to clean audit status	72
New auditees with clean audit status	5	Close to clean audit status	39
Lost clean audit status	22	Outstanding audits	6

Each of the 39 auditees that is close to obtaining a clean audit, only needs to address one finding on either the quality of its financial statements (36 auditees) or its performance reporting (three auditees). For example, 31 auditees (the Mpumalanga premier's office, 26 auditees in the higher education and training portfolio, and four auditees in the mineral resources and energy portfolio) only had one finding each because of material misstatements in their submitted financial statements.

An auditee will often find it difficult to sustain a clean audit if it does not have financial and performance management systems that operate consistently and effectively, and controls that are properly embedded. Of the 65 auditees that received a clean audit in both 2018-19 and 2023-24, 48 auditees (34%) sustained their clean audit status every year since at least 2018-19. They achieved this through practices such as institutionalising and monitoring key controls (including preventative controls), and by having all roleplayers in the accountability ecosystem (including management and leadership, supported by internal audit units and audit committees) committed to fulfilling their monitoring, governance and oversight roles. These auditees should maintain such practices to avoid any possible regressions.

Auditees that sustained clean audit status for six or more consecutive years (national)

17 National auditees

- Department of Science and Innovation
- National School of Government
- Parliament of the Republic of South Africa
- African Renaissance and International Cooperation Fund
- Companies and Intellectual Property Commission
- Council for Scientific and Industrial Research
- Cross-Border Road Transport Agency
- Financial Sector Conduct Authority
- Guardians Fund
- Justice Administered Funds
- Legal Aid South Africa
- Municipal Infrastructure Support Agency
- Northlink TVET College
- Public Service SETA
- Quality Council for Trades and Occupations
- South African Medical Research Council
- South African Local Government Association

Auditees that sustained clean audit status for six or more consecutive years (provincial)

4 Eastern Cape

Provincial Treasury
Safety and Liaison
East London Industrial Development Zone
Eastern Cape Parks and Tourism Agency

2 Northern Cape

Office of the Premier
Provincial Treasury

1 North West

Provincial Treasury

4 Gauteng

Cooperative Governance and Traditional Affairs
Office of the Premier
Provincial Treasury
Gautrain Management Agency

15 Western Cape

Agriculture
Community Safety
Cultural Affairs and Sport
Economic Development and Tourism
Environmental Affairs and Development Planning
Health and Wellness
Infrastructure
Local Government
Office of the Premier
Provincial Legislature
Provincial Treasury
Social Development
Government Motor Transport
Saldanha Bay IDZ Licencing Company
Western Cape Nature Conservation Board

4 KwaZulu-Natal

Provincial Treasury
Dube TradePort Corporation
KZN Housing Fund
Traditional Levies and Trust Account

1 Mpumalanga

Cooperative Governance and Traditional Affairs

Auditees with unqualified opinions with findings

The most prevalent audit outcome over the term of the administration was an unqualified opinion on the financial statements with material findings on performance reporting and/or compliance with key legislation.

Movement in number of auditees with unqualified audit opinions with findings

Improved from unqualified with findings to clean audit status	60	Improved to unqualified with findings	62
Retained unqualified with findings	82	Regressed from clean audit status to unqualified with findings	17
New auditees with unqualified with findings	7	Lost financially unqualified with findings	26
Outstanding audits	9		

In most cases, auditees in this category only obtained an unqualified opinion on their financial statements because they corrected misstatements in response to our audit findings, as detailed in section 2.2. Institutional capacity is therefore not in place at these auditees to enable credible and transparent in-year and year-end reporting.

The reported performance information of auditees with material findings on their performance reports is not credible, which weakens the accountability processes as detailed in section 2.3.

Material non-compliance signals a disregard for legislation or significant lapses in control, which is often an indicator of potential financial mismanagement and a leadership culture where the importance of compliance is not instilled.

An unqualified opinion with findings is not a desirable outcome and auditees should not become complacent with obtaining such an outcome. Auditees that have stagnated in this category should work towards addressing the remaining challenges in their control environment to achieve a clean audit and shift their focus to improved service delivery.

Outstanding audits

We can only finalise and report on an audit on time if we receive the financial statements for auditing by the legislated date (31 March for TVET colleges and 31 May for all other auditees) and there are no undue delays during the audit process.

When we tabled last year's general report, there were 31 audits outstanding: 18 because the auditees had submitted their financial statements late or not at all, and 13 due to delays encountered during the audit process. One auditee (Denel Aerostructures) has since been liquidated, which means that its outcome will no longer be included in our general reports.

We have since finalised the audits of 22 of the remaining 30 auditees and their 2022-23 audit outcomes are as follows:

- Ten received a disclaimed opinion
- Eight received a qualified opinion
- Four received an unqualified opinion with findings

Of the eight audits that are still outstanding, we have received the financial statements of two auditees and the other six have still not submitted their financial statements. By 15 September 2024 (the cut-off date to be included in this report), the 2022-23 audits of these eight auditees and the 2023-24 audits of 38 auditees had not been completed. By 12 November 2024, 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 12 November 2024

2019-20

3 PUBLIC ENTITIES

3 non-submission of financial statements

Atteridgeville Bus Services
North West Star
North West Transport Investment

2022-23

5 PUBLIC ENTITIES

3 non-submission of financial statements

Mango Airlines
National Student Financial Aid Scheme
South African Airways

2 late submission of financial statements

Air Chefs
SAA Technical

2023-24

28 PUBLIC ENTITIES

10 late submission of financial statements

Alexkor
Border Management Authority
Ingonyama Trust (KwaZulu-Natal)
Land and Agricultural Bank of South Africa
Land Bank Insurance
Land Bank Life Insurance
Postbank
Property Management Trading Entity
Taletso TVET College
Unemployment Insurance Fund

4 non-submission of financial statements

Coastal TVET College
Denel
Denel Vehicles Systems
South African Post Office

14 delays encountered during audit process

Competition Commission
Construction Education and Training Authority
Construction Industry Development Board
Independent Development Trust
Manufacturing Engineering and Related Services Education and Training Authority
National Housing Finance Corporation
National Lotteries Commission
National Lottery Distribution Trust Fund
Passenger Rail Agency of South Africa
Railway Safety Regulator
South African Forestry Company
South African National Roads Agency
State Information Technology Agency
Vuselela TVET College

2 DEPARTMENTS

2 delays encountered during audit process

Department of Correctional Services
Department of Home Affairs

Unqualified with no findings (clean) | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings

2.2 FINANCIAL STATEMENTS

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. The 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 financial statements are used by the committees in Parliament and the provincial legislatures 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, the financial statements are also used by creditors, banks and rating agencies 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 they pay to provide services.

The Public Audit Act 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.

Timely submission of financial statements

The number of auditees that submitted their financial statements for auditing by the legislated date improved slightly, from 93% in 2018-19 to 94% in 2023-24. Section 2.1 details the status of all outstanding audits.

If we receive financial statements late, we cannot complete the audit on time. This delays the submission of the annual report to the executive authority and the tabling of the report in Parliament and the provincial legislatures. The executive authority is then also unable to hold the accounting officer or authority to account and to make financial and related service delivery decisions. This lack of accountability and transparency for financial affairs and decisions is likely to result in significant harm to these auditees.

Of the 22 public entities and TVET colleges that have not yet submitted their 2023-24 financial statements or whose audits had not been finalised due to late submissions, 19 are repeat offenders. Nine of these auditees either submitted their financial statements late or not at all in all five years of the administration.

Repeat offenders – late or non-submission of financial statements

Auditee	History	Reasons and action taken
State-owned enterprises		
South African Airways	Financial statements submitted late for three years Financial statements not submitted for one year (2023-24)	The auditees did not submit their financial statements for auditing due to the late finalisation of prior-year audits, caused by multiple years of the late and non-submission of financial statements over the administrative term. Some progress has been made in clearing some of the backlog audits in the group.
SAA Technical	Financial statements submitted late for five years	
Air Chefs	Financial statements submitted late for five years	
Mango Airlines	Financial statements submitted late for three years Financial statements not submitted for two years (2022-23 and 2023-24)	Late and non-submissions were as a result of business rescue processes.
Denel	Financial statements submitted late for two years Financial statements not submitted for one year (2023-24)	The auditees did not address issues identified in prior audits due to challenges experienced in maintaining viable operations. The auditees also suffered a cyberbreach in August 2024. The backlog up to and including 2022-23 has been cleared and the auditees are busy completing their current-year financial statements.
Denel Vehicles Systems	Financial statements submitted late for two years Financial statements not submitted for one year (2023-24)	
Alexkor	Financial statements submitted late for five years	The auditee did not submit its financial statements on time for auditing, mainly due to the knock-on effect of delays in appointing external auditors in 2021-22. The auditee only submitted financial statements after the audits of prior periods had been finalised. The auditee also did not have the capacity to prepare financial statements due to the resignation of the financial manager.
South African Post Office	Financial statements submitted late for one year Financial statements not submitted for one year (2023-24)	The auditee did not submit its financial statements for auditing as it had not finalised the process of formulating a new entity based on the new structure informed by the business rescue process.
Postbank	Financial statements submitted late for two years	The auditee had not completed a key reconciliation that affected a major part of the financial statements.

Repeat offenders – late or non-submission of financial statements (continued)

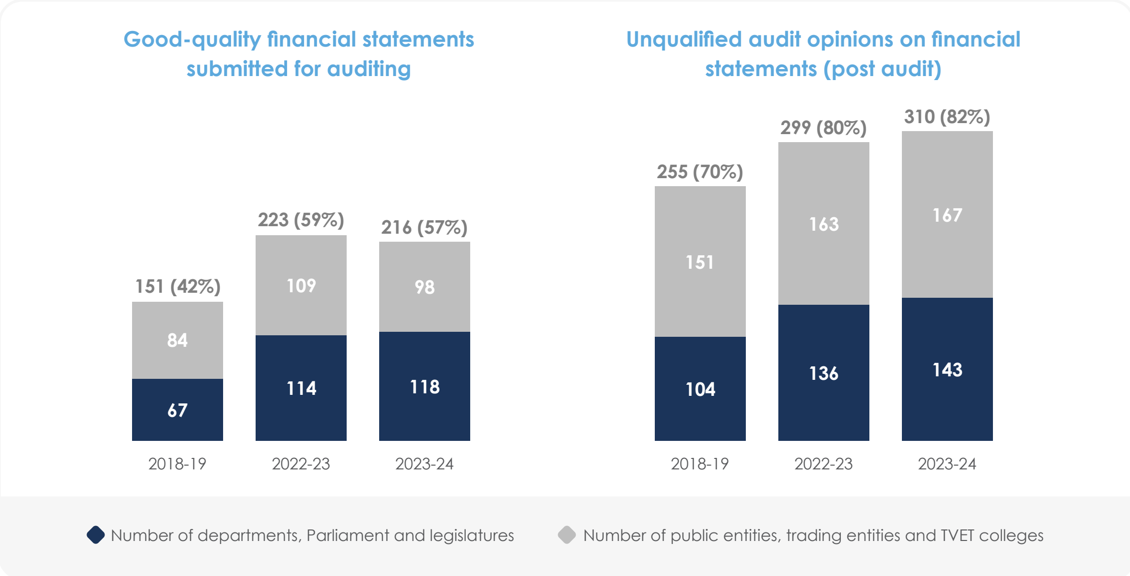
Auditee	History	Reasons and action taken
Land and Agricultural Development Bank of South Africa Land Bank Life Insurance Land Bank Insurance	Financial statements submitted late for two years	The first-time implementation of the accounting standard on insurance contracts (International Financial Reporting Standard 17) resulted in extensive changes being required, including retrospective application and new systems. This delayed the finalisation of the financial statements.
Higher education and training portfolio		
National Student Financial Aid Scheme	Financial statements submitted late for one year Financial statements not submitted for one year (2023-24)	The auditee did not submit its 2022-23 financial statements for auditing because it undertook an extensive data cleanup process. We issued a material irregularity notification for the non-submission. The financial statements were submitted in June 2024 and the material irregularity was resolved. The 2023-24 financial statements will remain outstanding until the 2022-23 audit has been completed.
Coastal TVET College	Financial statements submitted late for three years Financial statements not submitted for one year (2023-24)	The auditee was placed under administration in 2020-21 and submitted financial statements late or did not submit them at all due to a lack of handover between the administrative team and management, and an attempt to address record-keeping issues in subsequent years.
Taletso TVET College	Financial statements submitted late for five years	The auditee submitted its financial statements late, mainly due to vacancies in the finance unit.
Employment and labour portfolio		
Unemployment Insurance Fund	Financial statements submitted late for five years	The auditee submitted its financial statements late, mainly due to additional time being needed to address the audit findings that resulted in a qualified opinion in 2020-21. The late submissions from prior years had a knock-on effect on timely submissions in subsequent years.
North West provincial public entities		
Atteridgeville Bus Services North West Star North West Transport Investments	Financial statements not submitted for five years (2019-20 to 2023-24)	The group is under business rescue, and last submitted financial statements in 2018-19. 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. We issued nine material irregularity notifications to the three entities due to the non-submission of the 2019-20, 2020-21 and 2021-22 financial statements. In response, the provincial treasury intervened and assisted the entities to prepare the 2019-20 financial statements, which have been submitted to National Treasury for review.

We have issued 10 material irregularity notifications to accounting officers and authorities for delaying accountability processes by not submitting financial statements for auditing (one at the National Student Financial Aid Scheme and nine at public entities in North West, as detailed in the table on the previous pages).

Financial statement audit results over administration

The quality of financial reporting improved, and auditees with unqualified financial statements increased from 70% in 2018-19 to 82% in 2023-24. The improvements are most evident at departments.

Financial statements: audit results from 2018-19 – per auditee category



Over the administrative term, we urged auditees to submit financial statements of the required quality for auditing. Often, auditees receive unqualified audit opinions on their financial statements because we identify material misstatements that we allow them to correct during the audit, but this is not sustainable and creates delays in finalising the audit. It raises concerns on the credibility of auditees' in-year financial reporting, which means that important financial decisions, analyses and monitoring could be based on unreliable information.

Although there has been a marked improvement since 2018-19, the quality of the financial statements submitted for auditing is not yet at the required level – if we had not allowed auditees to correct the material misstatements we identified in their financial statements, only 57% would have received unqualified audit opinions in 2023-24, compared to the 82% that eventually did so.

Accounting for the transactions, assets and liabilities of departments and public entities using the public sector accounting frameworks is generally not complex. In a specific financial year, however, there could be unique or complex transactions, arrangements or events that are difficult to account for. There could also be changes in the accounting framework or new interpretations and guidance on particular areas. It is thus understandable to a degree that an auditee could struggle in that year to produce financial statements without material misstatements.

However, some auditees submit poor-quality financial statements every year and only achieve an unqualified audit opinion because we identify the corrections they should make.

The following 14 auditees have obtained unqualified opinions every year for the past five years despite having given us poor financial statements which they then corrected.

Auditees repeatedly relying on audit process to achieve unqualified audit opinions

3 Departments

Department of Employment and Labour

Economic Development and Tourism (Mpumalanga)

Public Works, Roads and Transport (Mpumalanga)

4 TVET colleges

Ekurhuleni West TVET College (Gauteng)

Mthashana TVET College (KwaZulu-Natal)

Nkangala TVET College (Mpumalanga)

Thekwini TVET College (KwaZulu-Natal)

6 Public entities

Culture, Art, Tourism, Hospitality and Sport Sector Education and Training Authority

South African Bureau of Standards

South African National Biodiversity Institute

Water Trading Entity

Great North Transport (Limpopo)

Roads Agency Limpopo (Limpopo)

1 State-owned enterprise

Trans-Caledon Tunnel Authority

The improvements in the quality of the financial statements submitted for auditing and the increase in the number of auditees obtaining unqualified opinions were mainly due to the following:

- Auditees have implemented audit action plans that address the internal control deficiencies that caused material misstatements, as we have consistently recommended. In 2018-19, 42% of auditees were implementing good action plans – by 2023-24, this had increased to 53%.

- Basic financial disciplines (record-keeping, processing and reconciling transactions, reliable reporting and proper review) have improved. In 2018-19, 30% of auditees had good preventative controls in place – this improved to 38% by 2023-24. The improvement was also evident in the use of automated controls and processes, which had increased from 29% to 46%.

- There has been increased stability in finance units. In 2018-19, the average term of a chief financial officer was 55 months and there was a 25% vacancy rate across finance units. By 2023-24, the length of the average term had increased to 58 months and the vacancy rate had dropped to 16%.

- The review work done by internal audit units and audit committees has improved. Our assessment of the effectiveness of this control improved from 58% to 74% for internal audit units and from 66% to 77% for audit committees over the administrative term.

- All the provincial treasuries are reviewing the interim and/or final financial statements of auditees.

Two other developments also contributed to the improvement of financial statement audit results:

1. In 2013, the accounting framework for departments became a standard – the Modified Cash Standard. Since then, there have been limited changes in the accounting requirements and templates for departments. The Standards of Generally Recognised Accounting Practice used by public entities also remained unchanged over the administrative term. The stability in the use of the frameworks allowed for predictability and enabled auditees to ensure that they have the proper systems and processes in place for accounting and reporting.

2. In 2022-23, the National Treasury introduced changes to how departments and public entities need to disclose irregular and fruitless and wasteful expenditure in their financial statements. As a result of these changes, auditees no longer need to disclose ongoing irregular expenditure from multi-year contracts. Auditees also no longer have to report in their financial statements the balances and movements of total irregular and fruitless and wasteful expenditure, or any such expense identified in prior years. In 2018-19, 9% of auditees were qualified on irregular expenditure, compared to only 2% in 2023-24. Section 3.3 elaborates on the impact of this change on our audits and transparency.

Status in 2023-24

If we express an unqualified audit opinion on the financial statements, it means that there were no material misstatements (errors or omissions) in the financial statements and those who use these financial statements can trust the credibility of the information. Section 2.1 deals with this audit outcome category.

We expressed modified (i.e. qualified, adverse or disclaimed) opinions on the 2023-24 financial statements of 67 auditees (18%).

Adverse and disclaimed audit opinions are the worst opinions an auditee can receive. An adverse 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 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 opinions is not useful, as it is not credible. In our audit reports, we report to oversight structures and other users of the financial statements that the information cannot be trusted.

In 2023-24, four auditees received an adverse audit opinion, of which one was a high-impact auditee (Road Accident Fund). Five auditees received a disclaimed audit opinion, including two high-impact auditees (Compensation Fund and Central Johannesburg TVET College).

Six of the 16 high-impact auditees that received a disclaimed audit opinion in 2018-19 have moved out of this category.

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 areas of the financial statements are not credible.

In 2023-24, 58 auditees received a qualified audit opinion, of which 33 were high-impact auditees:

- 18 auditees in the higher education and training portfolio (including 13 TVET colleges)
- One national department (Department of Defence) and three public entities (Driving Licence Card Account, National Youth Development Agency, and Road Traffic Infringement Agency)
- 11 provincial departments (one in the agriculture sector, four in the basic education sector, three in the health sector, two in the public works sector, and one in the transport sector)

Of the 64 high-impact auditees that received a qualified audit opinion in 2018-19, 42 have moved out of this category:

- One to a disclaimed audit opinion
- 37 to an unqualified audit opinion with findings
- Four to an unqualified audit opinion with no findings (clean audit)

The main areas that were misstated in the financial statements of auditees that received modified audit opinions in 2023-24 were:

- **Expenditure:** 8% of auditees did not have adequate documentation to support the expenditure that they reported and, in some instances, the expenditure was not calculated correctly. In most instances (72%), and mainly at public entities (83% of limitation instances), auditees did not provide supporting documentation to substantiate the transactions recorded in the financial statements.

- **Property, infrastructure and equipment:** 7% of auditees incorrectly accounted for assets in the financial statements and, in some instances, assets that were physically verified could not be identified in the auditee's asset register. Most of the instances (71%) related to a lack of evidentiary documentation to substantiate property, plant and equipment reported in the financial statements. Most of these material limitations (65%) occurred at public entities.

- **Payables, accruals and borrowings:** 6% of auditees reported payables, accruals and borrowings in their financial statements that were incorrect or could not be confirmed. In most instances (82%), the auditees could not provide documentation to support the payable figure in the financial statements. Most of these material limitations (94%) occurred at public entities.

- **Cash flow from operating activities:** 5% of auditees did not prepare cash flow statements according to the requirements of their financial reporting frameworks. Amounts were not correctly calculated or did not accurately reflect the actual cash flow movements. In all instances, we disagreed with how public entities accounted for cash flow from operating activities.

When we express modified audit opinions on the financial statements, it has wider implications for decision-making and could have an impact on service delivery. For example, property, infrastructure and equipment is often used for the service delivery mandate of auditees. Where the true state of the property, infrastructure and equipment is not known and accurately reported in the financial statements, this could affect an auditee's ability to deliver services at the required level.

2.3 PERFORMANCE REPORTS

Importance of performance reports

Almost all auditees are required to plan what they must deliver on every year and over the term of the administration. In their performance reports, they account for whether they have managed to achieve their targets so that the executive authority and oversight structures can call them to account and provide support where they struggle. Government also needs this information to track the progress made towards achieving its medium-term objectives (as included in the Medium-Term Strategic Framework compiled at the start of an administration's term) and its long-term goals (as included in the National Development Plan 2030), as well as the United Nations' Sustainable Development Goals.

Auditees that are excluded from reporting on their performance are the 50 TVET colleges and 22 other auditees, including unlisted funds and public entities, trading entities and subsidiaries of listed public entities whose performance is reported in the performance reports of their parent departments or companies.

The Public Audit Act requires us to annually audit the performance reports of all departments and public entities that must report on their performance to provide users of the reports 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 Parliament, is testament to the importance of performance reporting – placing it at the same level as the financial statements.

We do not audit, evaluate or conclude on the performance of the auditee – this remains the role of those in the accountability ecosystem responsible for governance and oversight (executive authorities, legislatures and coordinating institutions). The audit we conduct is also not a performance audit that has the objective of reporting on the economy, efficiency and effectiveness of the auditee's processes. Our responsibility is to provide assurance to the relevant roleplayers and to the public that the information they use to evaluate performance is useful and reliable.

Every year, we select programmes or objectives for auditing that support auditees' mandates and have the biggest impact on service delivery. To audit these programmes or objectives, we evaluate the information that auditees report against criteria developed from their performance management and reporting framework, which is based on the legislation, frameworks and guidelines that apply to them. A performance report that is prepared using these criteria provides useful and reliable information on – and insights into – the auditee's planning and delivery on its mandate and objectives.

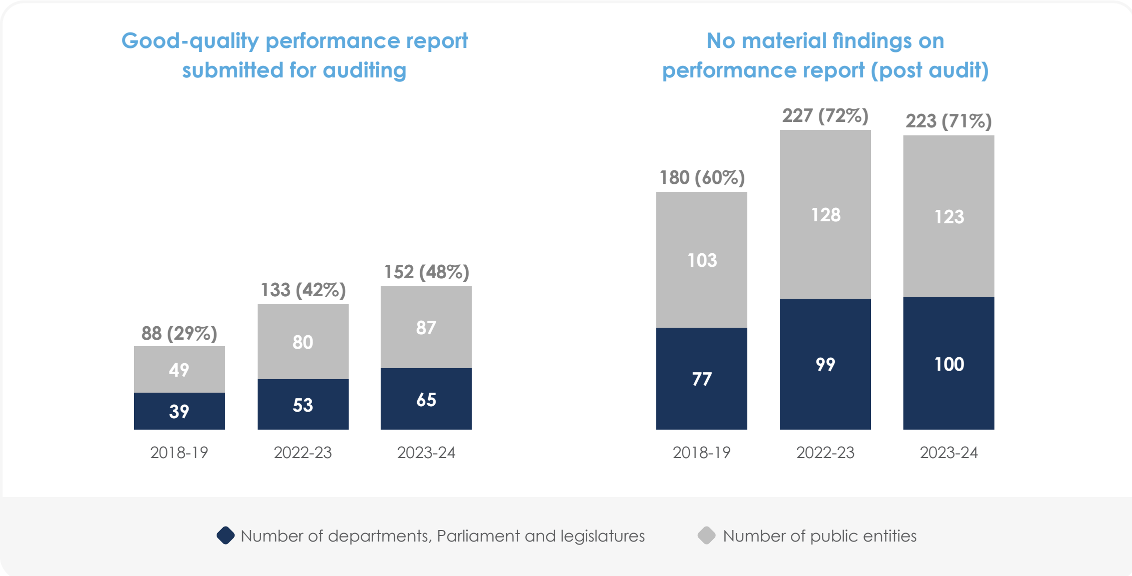
In our audit reports, we report those findings that are material enough to be brought to the attention of users of the auditee's performance report. We also express audit opinions or conclusions on the selected planned programmes or objectives in the management reports of 138 departments and 61 entities.

Performance reporting audit results over administration

The overall submission rate of performance reports over the administrative term was nearly 100%, reflecting strong compliance among most auditees. Two entities did not submit their performance reports in 2023-24: the Mines and Works Compensation Fund and Golden Leopard Resorts, which has failed to submit its performance report for three consecutive years since 2021-22.

The quality of performance reporting improved over the administration: we raised no material findings on the published performance reports of 71% of auditees in 2023-24, compared to 60% in 2018-19.

Performance reports: audit results from 2018-19 – per auditee category



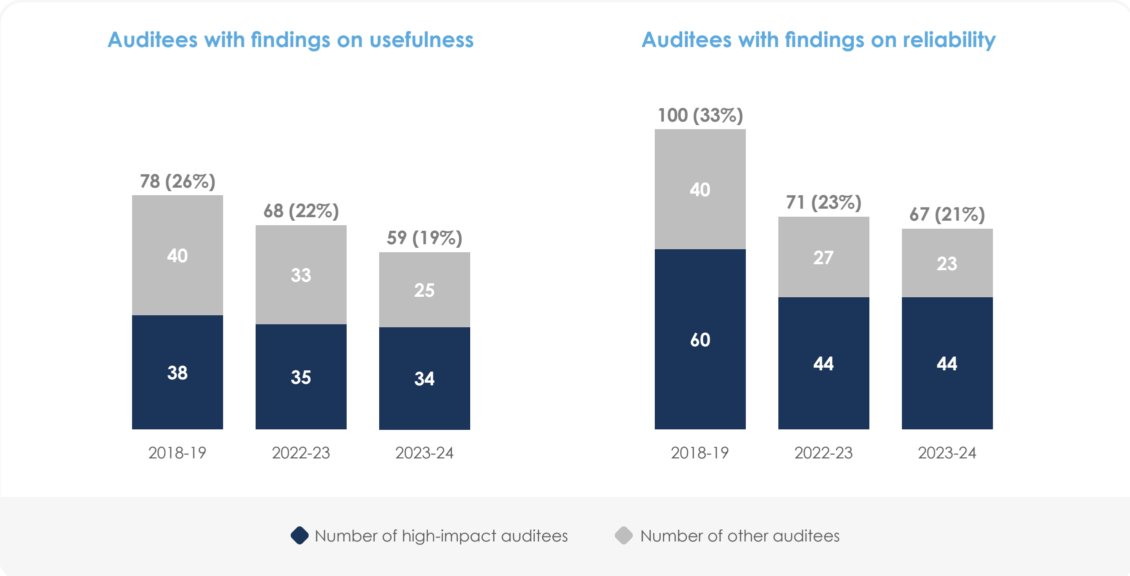
As with financial statements, we have continuously urged auditees to submit performance reports of the required quality for auditing. There has been an improvement in the quality of the reports submitted for auditing, but the 52% of auditees that were not able to do so in 2023-24 points to widespread process and control failures in this area. The number of high-impact auditees that submitted good-quality performance reports remained low, but increased from 19% in 2018-19 to 33% in 2023-24.

If we had not allowed auditees to correct the misstatements we identified in their submitted performance reports, more than half (52%) of the performance reports used for oversight purposes would have had material flaws. The adjustments made are usually to the reported achievements (and not to the already-approved indicators and targets in the performance plan that cannot be adjusted).

The poorly prepared performance reports and significant activity required to make corrections in response to our audit also raise questions about the credibility of the in-year reporting and the effectiveness of performance monitoring throughout the year.

If auditees do not properly monitor their performance and take corrective action when needed, they are likely to not achieve their performance targets. Portfolio committees, executive authorities and coordinating institutions all use in-year reporting for monitoring purposes, which they cannot do effectively without credible information.

Findings on performance reports: audit results from 2018-19 – high-impact auditees compared to other auditees



Both the usefulness of the indicators and targets and the reliability of the reported achievements improved. There were improvements at high-impact auditees, but the shortcomings remained most prevalent at these auditees.

The improvements in the quality of performance reports submitted for auditing and the decrease in the number of performance reports with material findings were often not because of auditee effort but rather due to the following:

- It is not uncommon for the quality of performance reporting to improve over the course of an administration as the indicators are refined and the systems and processes used to measure achievements gradually become more effective.

- Through our annual audits and proactive reviews of performance plans at some auditees (mostly high-impact auditees), we make recommendations to the auditees and brief the portfolio committees on our findings. This often results in improvements to the indicators and targets, as well as corrective action being taken to improve reliability.

- Further contributing to the quality of the reports, are the reviews of the performance plans of national auditees by the Department of Planning, Monitoring and Evaluation, and of the performance plans and reports of provincial auditees by the premiers' offices.

- The standardisation of indicators by national sector departments contributes significantly to the quality of the indicators used by provincial departments. (Sectors are national and provincial departments that have the same concurrent function such as health, basic education, human settlements, public works, transport, and water and sanitation.)

The health sector, which has standardised indicators, had the lowest levels of usefulness findings of all the sectors. The national human settlements department, with the support of the minister, insisted that the standardised indicators developed for the sector be used in 2023-24 – this halved the number of provincial human settlements departments with usefulness findings.

The audit opinions on the performance reports included in the management reports of auditees in the sectors provide a view of the pervasiveness of findings at these key delivery departments and the level of improvement over the administrative term. Normally, we audit and give a separate opinion on more than one programme in the performance report, but for comparison purposes we only show the worst opinion for each of the sector auditees in the figure that follows.

Audit opinions on performance reports in 2023-24 and movement from 2018-19 – per sector

	Unqualified	Qualified	Adverse	Disclaimed	Total	Movement from 2018-19: Improvement	Movement from 2018-19: Regression
Basic education	1	8	1	0	10	3	0
Health	2	6	1	1	10	5	1
Human settlements	3	6	0	1	10	5	3
Public works	6	3	0	1	10	6	0
Transport	7	2	0	1	10	4	1
Water and sanitation	1	0	0	0	1	1	0

▲ Improvement ▼ Regression

We reported material findings (adverse, qualified or disclaimed) on the performance reports of most of the departments in the basic education, health and human settlements sectors. There was a net improvement of 19 departments (37%) in the number of auditees with material findings over the course of the administration; the improvements were mostly evident in the public works and health sectors.

Overall, 80% of the departments in the six sectors submitted performance reports with material misstatements in 2023-24, compared to 92% in 2018-19.

Status in 2023-24

In total, 54 (59%) of the 91 auditees with material findings on their 2023-24 performance reports were high-impact auditees. In the basic education, health and human settlements sectors, 80% or more of departments had material findings on their performance reports.

The paragraphs that follow summarise the most common findings on performance reporting included in the audit and management reports, the impact of these findings, and improvements over the administrative term. Examples of the different types of findings are also provided.

Reported achievements not reliable

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. 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, this limits the ability of the whole accountability ecosystem, particularly the executive authority and oversight bodies, to assess the auditee's performance and take action to enable improvement.

Material reliability findings were reported at 67 auditees (21%) in 2023-24. Material findings were reported at 35% of the high-impact auditees. Findings were reported at:

- 80% of departments in the health sector
- 70% of departments in the basic education sector
- 70% of departments in the human settlements sector
- 30% of departments in the public works sector
- 20% of departments in the transport sector

Examples of reported achievements not reliable
(Examples in the health and basic education sectors are provided in sections 4.1 and 4.2)

Sector	Indicator	Province/ national	Target	Reported achievement
Public works	Number of new construction projects completed	Eastern Cape	22	11
	Number of infrastructure sites handed over for construction	National	168	93
	Percentage increase in revenue generation through letting of state-owned properties	National	20%	501%
	Number of facilities provided	North West	230	223
Human settlements	Number of breaking new ground houses delivered	Free State	2 065	50
		Western Cape	3 429	3 315
		Eastern Cape	7 638	6 736
Transport	Number of vehicles stopped and checked	Eastern Cape	1 211 280	1 366 395
		Northern Cape	150 000	155 157
	Number of youths employed (18-35) – transport infrastructure	North West	7 150	3 384

Reported indicators not useful

When a performance report contains information that is not useful, this means that the indicators in auditees' plans and against which they reported were not measurable, consistent, relevant or complete.

The most common material finding on usefulness was auditees including indicators and/or targets in their performance plans that were not measurable. Other usefulness findings included inconsistencies between what was included in the performance plan and what was reported, the performance plan including indicators and targets that were not related or relevant, and the performance plan not including important indicators.

Material usefulness findings were reported at 59 auditees (19%), 34 (27%) of which were high-impact auditees. Findings were reported at:

- 80% of departments in the basic education sector
- 30% of departments in the human settlements sector
- 30% of departments in the public works sector
- 30% of departments in the transport sector
- 20% of departments in the health sector

Findings on performance indicators not measurable

A measurability finding means that the performance plans included indicators that were not well defined (i.e. there was no clear definition of what the indicator measures). It can also mean that verifiable processes and methods were not in place to measure achievements.

> An 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.
>
> If there are no verifiable processes and methods to measure achievements, it generally results in the reported achievements being unreliable as it will not be possible to determine the accuracy of what is reported. 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.

Material findings on measurability were reported at 29 auditees (9%) (of which 16 were high-impact auditees) – an improvement from 17% of auditees in 2018-19. Findings were reported at:

- 30% of departments in the human settlements sector
- 20% of departments in the basic education sector
- 10% of departments in the health sector
- 10% of departments in the transport sector

Examples of performance indicators not measurable
(Examples in the health and basic education sectors are provided in sections 4.1 and 4.2)

Sector	Indicator and what we found
Human settlements	**Free State, Gauteng, Limpopo, Mpumalanga, Northern Cape:** • Number of post-1994 title deeds registered • Number of post-2014 title deeds registered • Number of new title deeds registered *No verifiable methods and processes for measurement.* **Free State, Limpopo, Mpumalanga, Northern Cape:** Number of pre-1994 title deeds registered *No verifiable methods and processes for measurement.* **Mpumalanga:** Percentage of houses certified in line with National Home Builders Registration Council regulations and standards *Indicator not clearly defined and no verifiable processes for measurement.*
Transport	**Northern Cape:** Number of vehicles stopped and checked *No proper systems in place to ensure that all vehicles stopped and checked are recorded.*

Findings on performance indicators not consistent

A consistency finding means that the indicators and/or targets reported in the performance report differed from those committed to in the performance plan, changes were made without obtaining the required approval, and/or the reported achievement differed from the achievement defined by the indicator and target.

If indicators are not consistent, it means the performance information cannot be used by legislatures, portfolio committees and the public to determine whether commitments made during planning have been achieved. Unapproved changes undermine transparency and accountability.

Material findings on consistency were reported at nine auditees (3%) (of which six were high-impact auditees) – a slight improvement from 6% of auditees in 2018-19.

Example of planned and reported performance information not consistent

Sector	Reported performance information and what we found
Transport (national)	Number of stations modernised **Target:** 33 (16 stations on the Central Line in Cape Town and 17 stations on the Mabopane Line in Tshwane) *The reported information did not indicate the number of stations revitalised (through functionality improvements, rebuilding and commercialisation) per the planned indicator requirements; the department did not measure itself against its planned target of 50 stations.*

Findings on missing performance indicators

A missing indicator means that auditees' performance documents excluded indicators that measure their performance on their core mandated functions, including their contribution to the Medium-Term Strategic Framework targets. From 2023-24, we reported in the audit reports if auditees had excluded indicators from their performance plans without appropriate and verifiable reasons.

> If auditees exclude indicators from their performance plans and reports, they risk not being able to achieve the Medium-Term Strategic Framework targets and deliver on their core mandated functions. A target that is not measured or accounted for is unlikely to be delivered.
>
> If auditees do not have complete performance plans, they cannot transparently report on how they perform their core functions or on their contributions to government programmes and initiatives. This weakens the accountability process because those that need to monitor and make decisions about government-wide deliverables are not working with complete and reliable (audited) information.

Material findings on missing indicators were reported at 21 auditees (7%) (of which 16 were high-impact auditees) – a slight regression from 5% of auditees in 2018-19. Seven departments (70%) in the basic education sector and one department (10%) in the health sector had material findings on completeness – examples of these are provided in sections 4.1 and 4.2.

Findings on relevance

A relevance finding means that the performance plans included indicators that measure an achievement that is not related to the auditee's mandate or to what the planned objective is intended to achieve, and/or targets that are unrelated to what the indicators are measuring. Irrelevant indicators and targets are not useful for measuring and monitoring auditees' performance.

> When indicators or targets are not relevant, it becomes difficult to accurately measure the efficiency and effectiveness of service delivery, and it can lead to the misallocation of resources.

Material findings on relevance were reported at 26 auditees (8%) (of which 18 were high-impact auditees) – a slight regression from 6% of auditees in 2018-19.

Examples of targets not related to what indicators are measuring

Sector	Indicator and what we found
Human settlements (Mpumalanga)	Number of community residential units **delivered** **Target:** 112 community residential units **under construction** *The target of community residential units under construction does not relate directly to the indicator, which measures the number of community residential units delivered. This makes it difficult to plan for the achievement of the indicator.*
	Number of **houses completed** through emergency housing assistance **Target:** 96 **roofs repaired, remedial works and temporary residential units** completed *The target of 96 roofs repaired, remedial works and temporary residential units completed does not relate directly to the indicator, which measures the number of houses completed through emergency housing assistance. This makes it difficult to plan for the achievement of the indicator.*

Causes of continued weaknesses in performance reporting

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 because of the following:

- Auditees do not have adequate systems, including information technology systems, to collate and report on their performance information. Inadequate record keeping is more pronounced in performance management than in financial management. Processes are manual and prone to error.

- Officials and auditee leadership do not properly apply the performance management and reporting requirements because they do not properly understand or appreciate them. The appropriate skills and capacity are often not in place at auditees. Training that has been provided is not yet having the desired outcome.

- Auditees do their planning and reporting 'off the books'. Although they continue to work towards delivery, they do not include this work in their plans or report on their achievements in this area. This means that this work is not subject to executive and oversight scrutiny or to auditing. Instead of addressing inadequate systems and processes that lead to unreliable reporting or poor delivery, they simply remove the indicators.

- The lack of standardised indicators in sectors, or the non-implementation of the indicators, often occurs because provinces do not agree with the indicators or push back on being led or monitored by a national department or executive.

- Executive authorities and portfolio committees are not adequately supported to provide effective oversight of performance plans and reports, or they approve plans without establishing whether the plans will achieve the desired results for the auditee. Auditees also face limited consequences when providing unreliable information in their performance report or when underachieving on their targets.

2.4 COMPLIANCE WITH KEY LEGISLATION

Importance of compliance with legislation

We annually audit and report on compliance by auditees with key legislation applicable to financial and performance management and related matters. We focus on the following areas in our compliance audits, if they apply to the particular auditee:

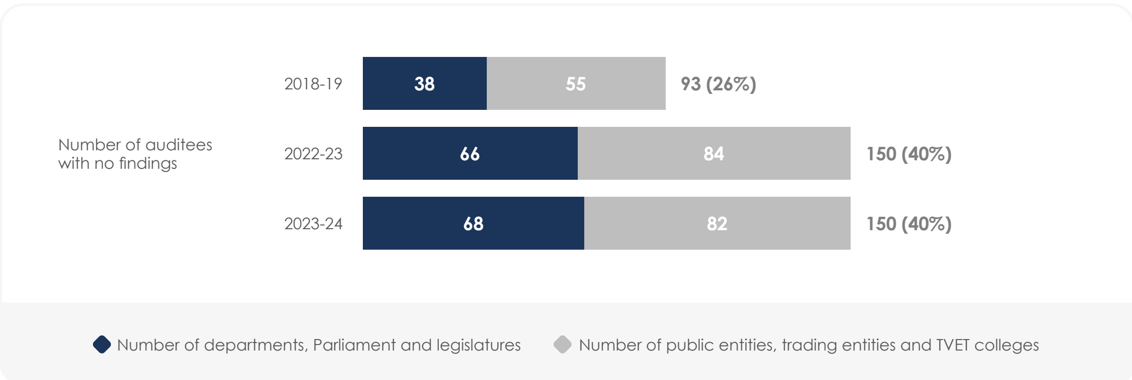
- Quality of financial statements submitted for auditing
- Expenditure management
- Unauthorised, irregular, and fruitless and wasteful expenditure
- Effecting consequences
- Strategic planning and performance management
- Financial statements and annual report
- Procurement and contract management
- Governance and oversight
- Liability management
- Revenue management
- Transfer of funds
- Utilisation of conditional grants

In our audit reports, we report findings that are material enough to be brought to the attention of auditee management, oversight bodies and the public. A finding is material if there were multiple instances of non-compliance, or if its impact was significant.

Compliance audit results over administration

Compliance with key legislation has improved since 2018-19 for all types of auditees, but remains high with 60% of auditees materially not complying.

No material findings on compliance with key legislation: audit results from 2018-19 – per auditee category



High-impact auditees account for 137 (60%) of the 227 auditees with material findings. This number represents 78% of high-impact auditees – although this is an improvement from 85% in 2018-19, it remains high.

All the departments in the human settlements sector; 80% or more of the auditees in the basic education, transport, public works and health sectors; and the Department of Water and Sanitation had material findings on compliance.

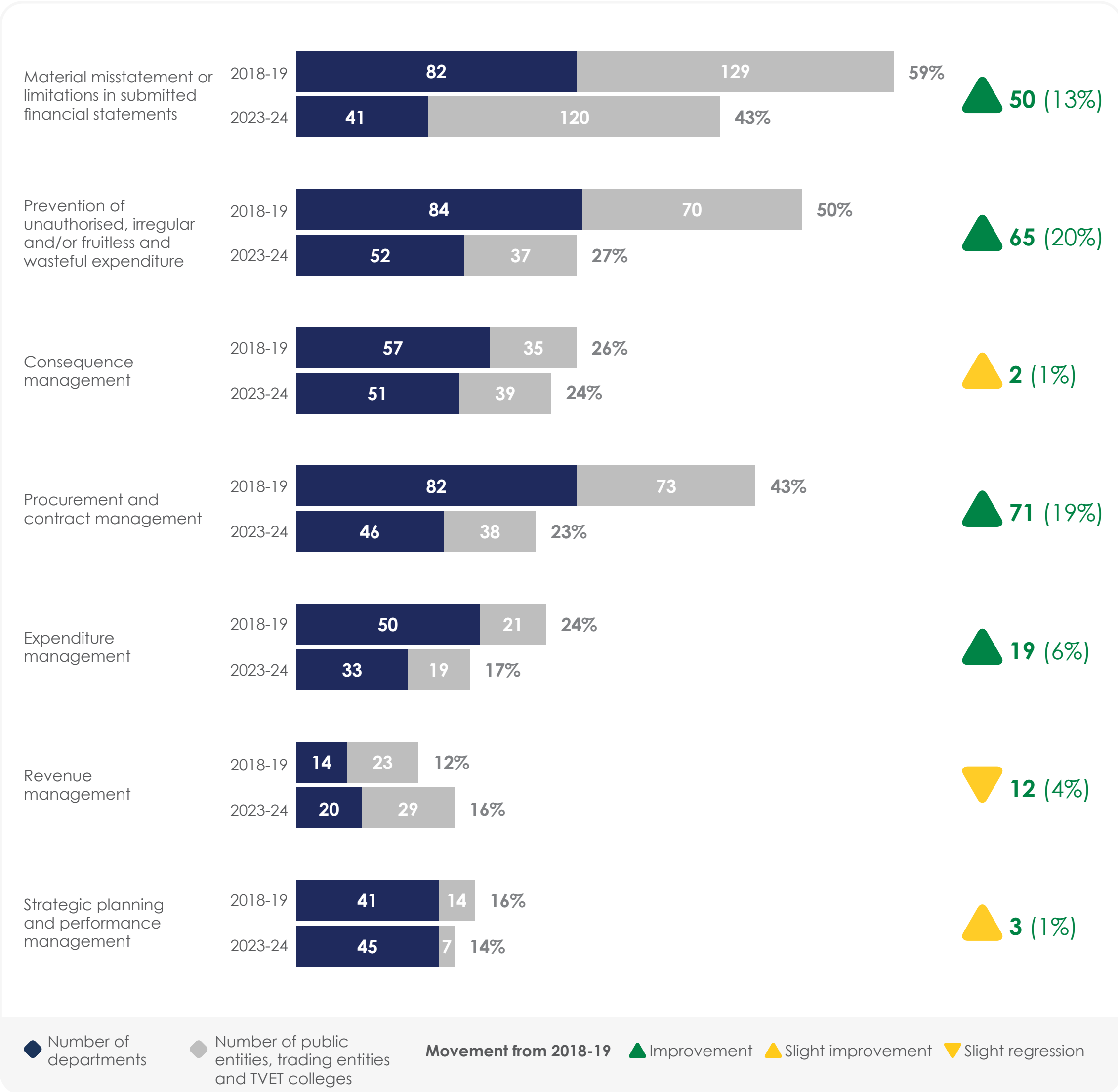
A total of 169 auditees (74%) had material compliance findings in every year of the administration's term, comprising 71 departments and 98 public entities. Of these, 109 were high-impact auditees.

Status in 2023-24

The areas in which the most auditees had material compliance findings remained the same over the administrative term, with improvement in most areas.

The figure below shows the level of compliance by those auditees where the specific legislation applies – the denominator (number of applicable auditees) for each area is included in the audit fact sheet at the end of this report.

Most common non-compliance areas in 2023-24 and movement from 2018-19 – per departments and public entities



As detailed in section 2.2, the material misstatements in the financial statements submitted for auditing indicate continuing weaknesses in institutional capacity to produce credible financial statements.

Section 3 covers the impact that unauthorised, irregular, and fruitless and wasteful expenditure; non-compliance with legislation on expenditure management, procurement and contracts; and consequence management has on government finances and service delivery.

We could not audit awards worth R1,7 billion because of missing or incomplete information, which results in weakened transparency and accountability. The missing information at the following auditees contributed the most to the overall limitation (constituting 88% of the total):

- North West Department of Education – R0,69 billion: Documentation for eight quotations and eight contracts relating to various services including school construction, printing services and technology kits for learners was not submitted for auditing due to poor record management.

- Compensation Fund – R0,52 billion: Bid documentation was not submitted relating to various services including travel management, forensic investigations, mobile communication and other professional services.

- Limpopo Department of Health – R0,11 billion: Documentation for information technology-related goods and services was not submitted to show that the business case, final bid documents, State Information Technology Agency approval, and acceptance by the department had taken place.

- KwaZulu-Natal Department of Health – R0,09 billion: Documentation for two quotations and six contracts relating to various catering services, flood damage recovery services and water treatment services was not provided due to poor document management.

- KwaZulu-Natal Department of Education – R0,07 billion: Two contracts obtained through deviations relating to the procurement of learner-teacher support materials and the National School Nutrition Programme were not provided due to an inadequate record-management system.

The continued non-compliance with legislation over the administrative term was mainly due to a lack of controls and consequences for transgressions. In 2023-24, 69% of auditees did not have adequate controls to review and monitor compliance. Section 3.5 expands on the culture of no consequences for transgressions.

2.5 CONCLUSION

The improved audit outcomes show that national and provincial government are working towards improved transparency and accountability through credible financial statements and performance reports. The quality of financial statements and performance reports that were published and used for oversight purposes improved over the administrative term, but the versions we received for auditing from most auditees in 2023-24 were still materially flawed. Institutional capacity is not yet in place to enable credible and transparent in-year and year-end reporting.

The continued high level of non-compliance means that most auditees have not institutionalised controls to ensure compliance with key legislation. This is indicative of a culture where leadership places little emphasis on the importance of compliance and there is a lack of management disciplines. The sections that follow demonstrate the losses and harm caused by a disregard for legislation.

03 SERVICE DELIVERY

Managing risks in infrastructure, systems, government suppliers and finances, and addressing no-consequence culture, will improve service delivery

The National Development Plan (NDP) 2030 directs the objectives and actions of each administration. The plan focuses on government's long-term goals for systematically improving the wellbeing of the country and its people, with the aim of eliminating poverty and reducing inequality by 2030.

The 10-year review of the NDP published by the Department of Planning, Monitoring and Evaluation in March 2024 serves as a sobering reminder of the work that lies ahead, with only a few years remaining to reach the 2030 goals. The review highlights that the capability of government is at the centre of building a developmental state, but poor productivity, corruption, state capture, wastage and a lack of accountability have all undermined government's efforts to build state capacity.

While we do not review the performance of government, our work does provide insight into weaknesses in national and provincial government that could prevent the NDP goals from being achieved – if not decisively addressed by the 7th administration. This section deals with five of these risks to service delivery in the context of the audit work we have done and reported on over the term of the 6th administration.

3.1 INFRASTRUCTURE MANAGEMENT

Continued weaknesses in delivery and maintenance of quality infrastructure

The basic services that the people of South Africa are entitled to receive – education, healthcare, housing, transport, water and other government services – cannot be delivered without infrastructure. The country's existing infrastructure must also be properly maintained to ensure that it remains in a safe, workable condition throughout its lifespan. The infrastructure accountability ecosystem involves multiple roleplayers that are all required to fulfil their roles and responsibilities to ensure that government's infrastructure programmes are successfully implemented.

As part of our annual regularity audit, we audited selected infrastructure projects and did specific work on maintenance throughout the administrative term. We reported our findings to accounting officers and authorities and to executive authorities, and shared our findings with Parliament and the provincial legislatures. We emphasised the money being lost and the impact that infrastructure neglect has on the people of South Africa due to poor contract management, coordination and planning; inadequate project management; and limited maintenance.

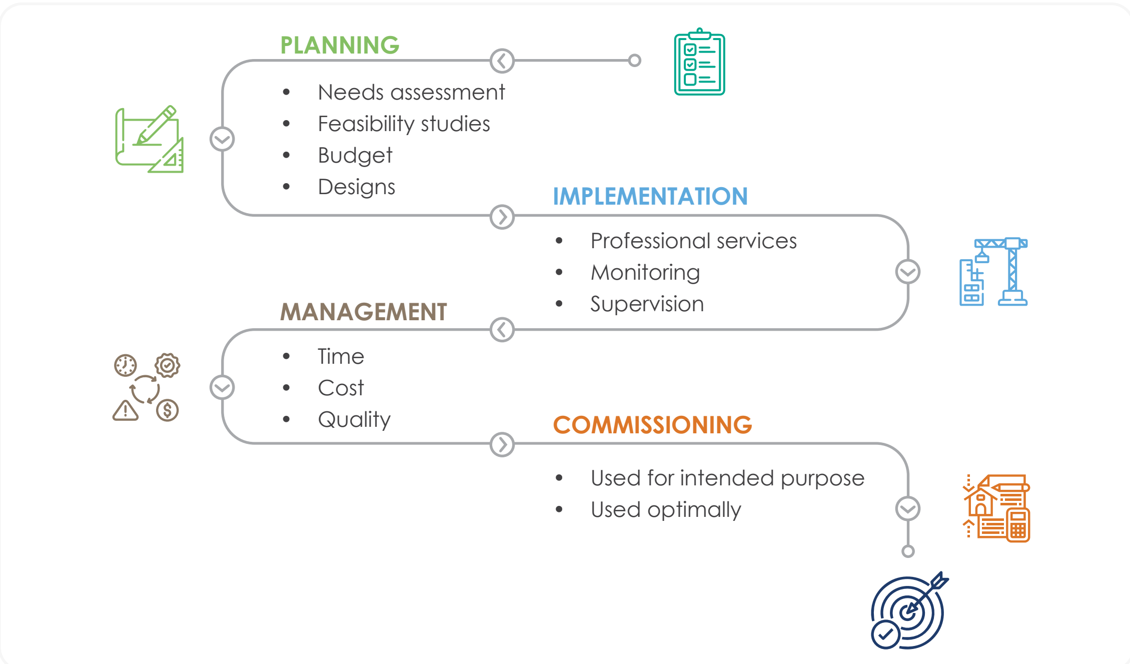
Our reports included what we observed to be causing the weaknesses, as well as recommendations for correction. Despite this, we see limited improvement year on year, and this report describes similar findings to those included in previous reports.

Status of infrastructure projects in 2023-24

In 2023-24, we audited 143 infrastructure projects, focusing on critical infrastructure including health facilities, schools, housing, roads and railways, water infrastructure and government buildings such as police stations. The public works and infrastructure portfolio acted as an implementing agent for 22 of these projects.

Our performance audit teams, which specialise in infrastructure and include experts such as engineers, quantity surveyors and a professional construction project manager, perform these audits. They use an infrastructure project life cycle model as part of their audits.

Infrastructure project life cycle model



We reported findings on 123 (86%) of the 143 projects and found that they had been delayed, cost more than planned or were of poor quality. There were also delays in newly constructed infrastructure being put to use.

Proper project planning helps to ensure that projects are completed within budget. At 79 projects (55%) in various stages of completion, the processes implemented during project initiation and planning contributed to minimising cost overruns and avoidable expenditure. These steps included identifying project needs, conducting feasibility studies, securing funding availability, obtaining land-zoning compliance, and ensuring proper design documentation.

On the other hand, poor project implementation and management often lead to delays and inferior workmanship.

The average delay in projects was 34 months. The reasons for the delays include scope changes, changes to designs due to a lack of thorough feasibility studies and needs assessments, communities and business forums stopping the work, contractors abandoning sites due to cash-flow challenges, late payment of contractor invoices by auditees, procurement weaknesses, and a lack of intergovernmental coordination.

The work done by contractors continued to have quality deficiencies, indicating that defects previously highlighted are not being addressed. These issues should have been identified by the consultants appointed by auditees to oversee and manage construction activities; however, auditees do not always have the required governance, oversight and monitoring processes in place to hold consultants accountable for poor performance.

The implementation of proper monitoring and oversight practices assists in reducing quality deficiencies. An example is the Department of Basic Education that monitored projects awarded to implementing agents by conducting a minimum of three independent site visits in 2023-24, and ensuring that contractors address identified defects timeously.

Commissioning is the final phase in completing a project during which the contractor commissions the completed project to the client department for occupation and use. However, some projects were completed without addressing end-user needs, such as connecting electricity to completed houses. In some cases, there was a lack of employees to staff newly built health facilities.

The table that follows provides information on the infrastructure project findings that we reported in the management reports of sector auditees. The most concerning areas are highlighted.

Findings on infrastructure projects (overall and by delivery area)

Sector	Projects audited	Projects delayed	Average delay	Original budget exceeded	Poor build quality	Not commissioned
Basic education	38	30 (79%)	21 months	2 (6%)	14 (37%)	3 (8%)
Health	25	20 (80%)	35 months	1 (4%)	9 (36%)	3 (12%)
Human settlements	23	13 (57%)	44 months	1 (4%)	7 (30%)	4 (17%)
Public works	22	11 (50%)	43 months	0 (0%)	4 (18%)	1 (5%)
Transport	28	15 (54%)	38 months	2 (7%)	2 (7%)	0 (0%)
Water and sanitation	7	3 (43%)	62 months	0 (0%)	0 (0%)	0 (0%)
Total	**143**	**92 (64%)**	**34 months**	**6 (4%)**	**36 (25%)**	**11 (8%)**

Status of infrastructure maintenance in 2023-24

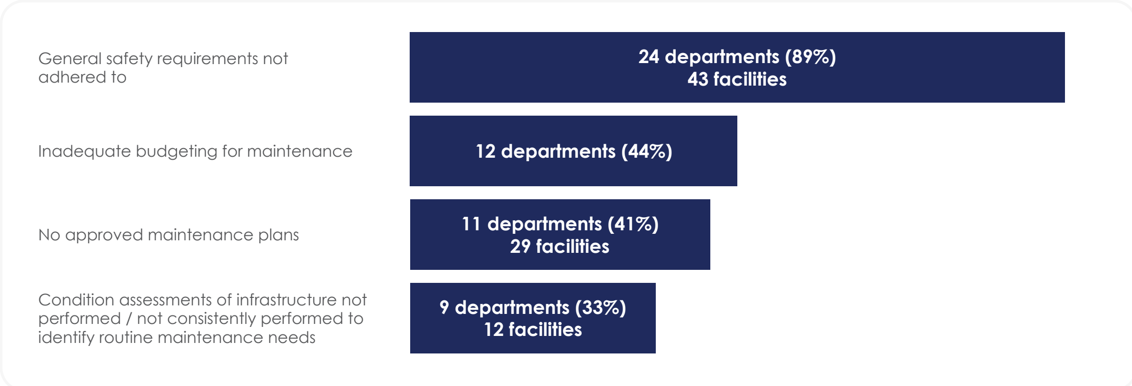
The condition of public infrastructure is predominantly influenced by the allocation of appropriate maintenance budgets, as well as the development and implementation of effective maintenance systems, policies and processes.

The public works sector is tasked with the maintenance of government properties, including health facilities, police stations and buildings that house various departments. In 2023-24, the public works sector allocated a budget of R5,87 billion for maintenance, with R2,26 billion (38%) of this designated for the national department. The national department's performance plan did not include an indicator for maintenance. This means that over a third of the funds allocated towards infrastructure maintenance are not being measured to determine whether the state of infrastructure supports effective service delivery.

In 2023-24, we audited 55 infrastructure facilities such as schools, hospitals and other buildings used by departments at the 27 provincial departments of health, education and public works to determine whether maintenance was adequately planned for. We also visited the facilities to assess their condition.

Effective preventative maintenance can only be achieved by regularly assessing building conditions. The Government Immovable Asset Management Act requires a condition assessment to be done every five years. We found that departments did not perform condition assessments of infrastructure or did not perform them consistently to identify routine maintenance needs; did not approve maintenance plans; and did not adhere to general safety requirements such as the certification of lifts as functional, adequate lighting, and non-obstructed walkways and fire equipment. At some departments, the amounts budgeted for maintenance were inadequate to fund the planned maintenance as included in the maintenance plans.

Most common findings on infrastructure maintenance at provincial education, health and public works departments



Insufficient maintenance of infrastructure assets adversely affects government's ability to deliver quality services to the public. This neglect also carries significant cost implications, as minor issues can escalate into major failures, leading to increased repair or replacement costs, reduced lifespan of assets and additional strain on public finances.

Examples of what we found over administration: infrastructure weaknesses

BASIC EDUCATION

MI Construction of Mayibuye Primary School

In March 2015, the **Gauteng Department of Infrastructure Development** appointed a service provider for the construction of the school, which was planned to be completed by September 2015. In October 2021, a mutual termination agreement was reached between the department and the service provider due to funding issues stemming from changes to the project scope. The site was left exposed to vandalism and deterioration, resulting in an estimated possible financial loss of R98,77 million. We notified the accounting officer of a material irregularity in September 2023. The accounting officer appointed a service provider that completed the school in January 2024 and learners began attending the school from February 2024. Further action is being taken to fully resolve the material irregularity.

BASIC EDUCATION *(continued)*

Eradication of pit toilets

Pit toilets are a safety hazard and violate the rights to sanitation, health, dignity and privacy. The drowning of a five-year-old pupil in a pit toilet at a Limpopo school in 2014 resulted in a court ordering the **Limpopo Department of Education** to eradicate these toilets at schools. The department reported in April 2024 that it had since completed the construction of toilet facilities at 516 (91%) of the 564 schools it had classified as priority 1 schools with inappropriate sanitation. The remaining 48 schools are still in the design, tender and construction phases – nearly a decade after the incident. During 2024, we visited 17 schools and found that while new, safer toilets had been built, at 12 schools the old pit toilets had not been demolished or only partly demolished, continuing to pose a safety risk.

Old pit toilets not demolished at secondary school in Limpopo and posing safety hazard

HEALTH

Construction of new facility at Dr George Mukhari Academic Hospital

In March 2020, the **Gauteng Department of Health** appointed a service provider to construct a facility with 300 intensive care beds to assist with handling covid-19 cases at the hospital. In April 2022, the covid-19 restrictions were lifted, resulting in a lowered demand for intensive care unit beds. By September 2023, only two of the 10 wards were being used. We notified the accounting officer of a material irregularity in September 2023 due to the underutilisation of this material public resource. The accounting officer moved patients from overcrowded wards to the intensive care beds facility between October 2023 and March 2024. During our April 2024 site visit, we confirmed that the facility was being fully utilised. The material irregularity has been resolved.

HUMAN SETTLEMENTS

Construction of houses in Pofadder

In October 2021, the **Northern Cape Department of Cooperative Governance, Human Settlements and Traditional Affairs** appointed a service provider to construct 20 houses in Pofadder in the Khâi-Ma local municipality. The project was completed and houses were allocated to beneficiaries during September 2023. During a site visit in June 2024, we identified that the houses did not have any electrical connections. There was also no formal internal road infrastructure and the community and learners have to pass through a gully to access the nearest school three kilometres away as there are no bridges. As these basic needs were not catered for, the community does not experience the full benefit of service delivery due to a lack of integrated planning and coordination between the provincial department and the local municipality.

TRANSPORT

Road upgrade to Mlamli Hospital

In December 2020, the **Eastern Cape Department of Transport** began upgrading a 12-kilometre stretch of road that was in poor condition from Sterkspruit to the hospital. The project had a planned completion date of June 2023, but was delayed due to slow progress by the contractor, whose contract was terminated in February 2024. As a result of poor project management controls, the department overpaid the contractor by R8,43 million and consultants by R21,92 million, for which it received no value. We notified the accounting officer of two material irregularities relating to the overpayments to the contractor and to the consultants in August 2023. By June 2024, the project was still incomplete and construction had been halted because the department had not yet appointed a replacement contractor. The project delays mean that the community continues to use unsafe roads to access the hospital. We are busy deciding on further action to be taken.

Rehabilitation of Mamatwan road

In September 2018, the **Northern Cape Department of Roads and Public Works** appointed a service provider for the rehabilitation of an existing tarred road. The appointment was subsequently challenged in court and the matter was concluded in March 2020 with a ruling stating that the appointment was unlawful. The contract was subsequently terminated. The department made payments of R10,83 million to the original service provider for work that had not been substantiated. We notified the accounting officer of a material irregularity in November 2023. The accounting officer did not take appropriate action to address the material irregularity, and we referred the matter to the Special Investigating Unit in August 2024 for further investigation. We also included recommendations in the audit report that should be implemented by January 2025.

TRANSPORT *(continued)*

Inadequate maintenance of freight rail network

The negative impact of poor maintenance can be seen at **Transnet** whose freight rail operating division has not kept up with the required maintenance on the rail network due to funding constraints and the impact of theft and vandalism. This has resulted in an escalating maintenance backlog – the division's infrastructure condition assessment indicated that the required planned maintenance for 2023-24 would cost R10,5 billion, but the maintenance budget was underspent by R6,05 billion. Over the past six years, the cumulative underspending on maintenance amounted to R26,5 billion.

The inadequate maintenance of the rail network has contributed to a poor rail system and declining railing volumes over recent years. In 2023-24, a volume of 151,7 metric tonnes (Mt) was achieved compared to the initial target of 183,8 Mt and a revised target of between 154 and 170 Mt. The non-achievement of planned railing targets has a ripple effect across the South African economy as it contributes to increased reliance on road transportation, leading to higher costs, road congestion, damage to road infrastructure and a negative environmental impact.

WATER AND SANITATION

Raising of Clanwilliam Dam

During 2012-13, the **Water Trading Entity** planned to start raising the Clanwilliam Dam to provide water for new and existing irrigation areas. The project had a planned completion date of May 2018. However, due to inadequate project planning and ineffective procurement processes, the completion date was revised to May 2028 – 10 years later. The delays on the project and lack of maintenance of the dam wall posed potential safety risks to the community should the dam wall be compromised. We notified the accounting officer of a material irregularity relating to likely harm to the public in July 2023. By June 2024, construction work was ongoing with overall project completion having reached 16%.

Causes of continued infrastructure weaknesses

The failures in delivering, maintaining and safeguarding infrastructure are due to the following matters that should be attended to urgently:

- Not conducting proper needs assessments and feasibility studies; or conducting them but not using them as a base from which to implement infrastructure projects.
- Inconsistent application and evaluation of functionality criteria, with contractors' performance on previous contracts (including with other public institutions) not adequately checked across all sectors to avoid appointing service providers that have failed to complete projects before.
- Inadequate monitoring and enforcement by infrastructure-related regulatory bodies such as the Construction Industry Development Board and the National Home Builders Registration Council, particularly relating to repeat offenders that cause delayed projects across sectors.
- Lack of effective planning, risk management, project management, cost control and time management by contractors, resulting in budget/cost overruns and delays.
- Inadequate and ineffective monitoring of infrastructure projects by project managers, often due to having too many projects to manage.
- Poor infrastructure quality due to defects not being identified during construction and contractors not being held accountable for inferior workmanship.
- Lack of integration between different government institutions when planning and executing projects to ensure that all the necessary basic infrastructure is available upon project completion.

3.2 GOVERNMENT INFORMATION SYSTEMS MANAGEMENT

Modernisation and protection of government systems are overdue

The NDP underscores the urgency of modernising and fortifying government systems to enhance the capacity of government institutions, especially in the education, health and safety and security sectors. Technology is the cornerstone of this undertaking, acting as a catalyst for efficiency, transparency and resilience in public services. Implementing robust control measures, ensuring stringent protection of sensitive information and maintaining continuity in service delivery are paramount.

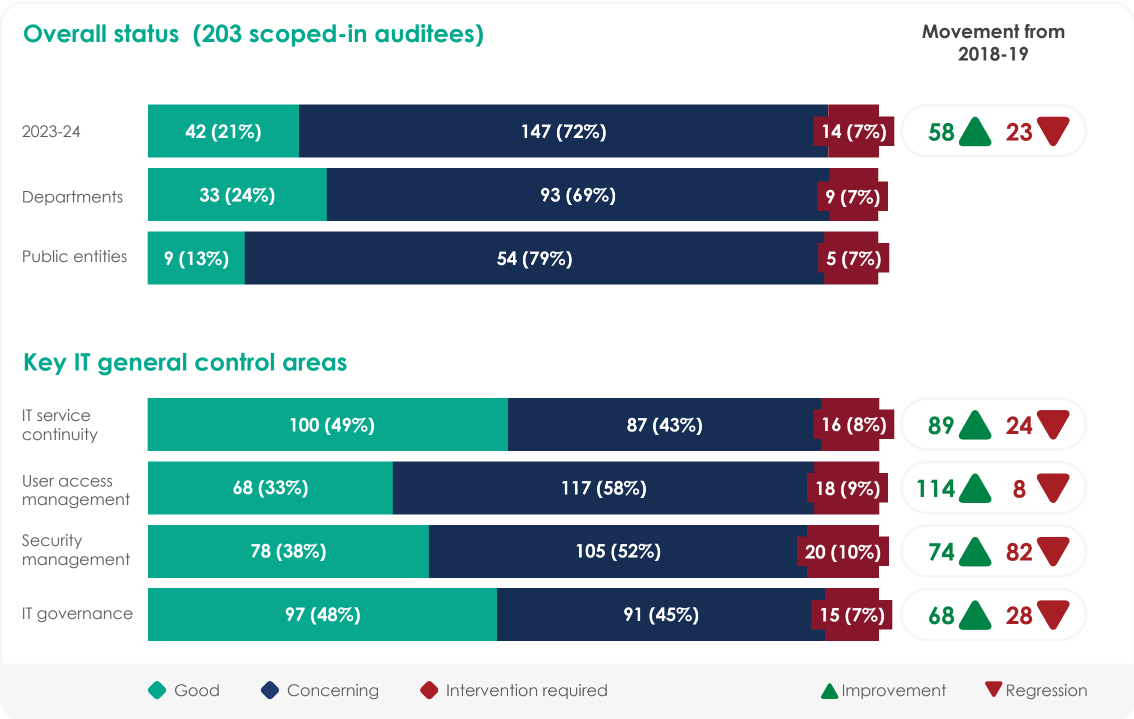
Every year, we increase our efforts and expand our scope to assess government's progress in this regard. In recent years, we focused on cybersecurity and key modernisation projects.

We also reported on the impact of system weaknesses in our special reports on government's covid-19 initiatives. We reported that the information technology (IT) systems used in government were not agile enough to respond to the changes required for the payment of new or changed allowances and grants. The lack of validation, integration and sharing of data across government platforms resulted in people (including government officials) receiving benefits and grants they were not entitled to and applicants being unfairly rejected because of outdated information.

Status of information technology controls

In 2023-24, we audited the control environment in which IT systems are developed, maintained and operated at 203 auditees.

Status of information technology controls



There has been some improvement in the status of the IT control environment since 2018-19. However, with 62% of auditees not having the required security management controls in place, the risk of unauthorised access to systems, disruption of financial and performance management processes, and interrupted or poor service delivery remains high. These weaknesses can lead to substantial harm to public sector institutions.

Weaknesses in information technology controls

In February 2021 and March 2022, the **Government Printing Works** lost and could not recover critical data because of system crashes due to insufficient maintenance of IT infrastructure and inadequate backup procedures. The entity was slow in implementing the recommendations from an investigation performed after the 2021 crash, thereby not preventing the second incident. We notified the accounting officer of a material irregularity in March 2024. The accounting officer implemented controls to ensure that data was regularly backed up and that the backups were tested and validated. The entity procured additional IT equipment in August 2024 and is busy capacitating the IT unit. Further action is being taken to fully resolve the material irregularity.

Cybersecurity

The expansion of the digital world has increased the sophistication of cyberthreats and the importance of cybersecurity measures. Ensuring that citizen data is protected from breaches and misuse is a critical challenge for governments globally, necessitating stringent data governance policies. Governments need to prioritise enhanced cybersecurity measures and public education on digital safety to protect against evolving cyberthreats.

Cybersecurity controls are also crucial for protecting auditees' IT assets and services from malicious attacks. If adequate security controls are not implemented and maintained, auditees remain susceptible to possible security breaches that may result in a total shutdown of services that might not be restored, resulting in a disruption that could affect business continuity and, ultimately, service delivery.

In 2023-24, we assessed the cybersecurity controls of 77 auditees to determine their vulnerability to cyberattacks. We identified shortcomings at 54 auditees (70%) and assessed 26 (34%) as having significant vulnerabilities that could potentially be exploited if not addressed. The main findings were as follows:

- **Ageing infrastructure:** Auditees did not upgrade outdated IT infrastructure so that it could reliably support key applications. This not only increases the vulnerability to attacks, but also hampers the implementation of modern security measures.

- **Compromised environments:** Security perimeters failed to prevent breaches during penetration testing across multiple environments. This highlights a systemic weakness in the existing defence mechanisms. Several environments were compromised during the year, which had a negative effect on service delivery.

- **Skills deficit:** Most auditees were unable to recruit and retain cybersecurity professionals. The skills gap undermines auditees' ability to proactively defend against and respond to cyberthreats.

- **Third-party risk management:** The risks associated with third-party service providers were not adequately managed. Poor oversight and lax controls expose auditees to potential breaches through their extended networks.

- **Underinvestment in cybersecurity:** Cybersecurity is underfunded, with budgets tied to broader IT expenditure rather than being recognised as a critical business risk. This lack of targeted investment compromises the ability to build robust security programmes.

As in other countries, there has been an increased trend of high-profile cybersecurity failures in South Africa. Hackers were successful in exploiting the security weaknesses at some of the auditees we rated as weak in this area. This resulted in some key government services not being available for a prolonged period. In some cases, hackers demanded a ransom or data privacy was compromised. Among the auditees most recently affected are the Government Pensions Administration Agency and the Companies and Intellectual Property Commission.

Key modernisation projects

The role of information and communication technology has not been clearly defined and understood across the various spheres of government. It is still positioned as a basic support function while it should be playing a bigger strategic role – especially if one considers government's significant IT spend and its service delivery obligations in sectors such as health, safety and security, and education.

This disconnect between a support and a strategic role has an impact on government's ability to effectively implement modernisation projects; provide network connectivity, network availability and security; and deliver reliable and integrated systems that meet government's operational needs. This misalignment has also caused increased costs and financial loss due to failed projects and implemented IT systems not being fully utilised.

South African School Administration and Management System (SA-SAMS)

In February 2018, the **Department of Basic Education** commenced with phase 1 of developing a web-based SA-SAMS to replace the desktop-based system used across schools. The system is intended to improve the quality of information for decision-making on learner management, school nutrition management, human resource management, curriculum and assessment, transport management and finance.

The current system has various shortcomings, such as inaccurate data (including invalid or deceased learners), funds not being used for their intended purpose, and schools not accounting for what was spent.

The planned completion date for phase 1 of the SA-SAMS development is 30 June 2025. Key project milestone dates were not achieved. For example, the user acceptance testing for the school management, learner management and human resource management modules was planned for July 2023, but only commenced from December 2023 to April 2024. The process for the functional requirement specification for the other modules only started in April 2023, almost a year later than planned.

Insufficient funding contributed to the slow pace of development of the system.

Integrated Justice System (IJS)

The **Department of Justice and Constitutional Development** is the primary entity responsible for the IJS programme, supported by other government entities. The programme was initiated upon approval of the National Crime Prevention Strategy by Cabinet in 1996 to modernise the criminal justice system. The aim of the IJS is to use technology solutions to electronically enable and integrate end-to-end criminal justice business processes (from the reporting of a crime to the release of a convicted person) and to manage the related interdepartmental information exchanges across the criminal justice system. The IJS programme was allocated a total budget of R9,3 billion from 2002 to March 2024. By 31 March 2024, R8,7 billion had been spent across the eight member departments on various projects, which included infrastructure upgrades and case administration systems. The primary objective of the programme to integrate the activities of justice cluster departments has not yet been met due to various challenges.

There have been significant delays in the implementation of IJS-related projects due to delays in the procurement processes of both the department and the State Information Technology Agency (SITA). The project has been marred by governance weaknesses, mainly because members of governance structures do not meet as prescribed by their terms of reference to address the delays in achieving project deliverables. The project milestones and targets set for the Medium-Term Strategic Framework period have moved from 2023-24 to 2024-25. These delays contribute to increased case backlogs and difficulties in the retrieval of information required for investigations. In turn, this leads to the delay of investigations and drawn-out court cases.

Causes of continued weaknesses in information technology environment

The continuing weaknesses in IT control environments, cybersecurity, integration and modernisation projects are caused by shortcomings at two levels – at the coordinating institutions responsible for centralised IT services, policy-making, oversight and support; and at the auditees themselves.

The control weaknesses at auditees were mainly caused by the following:

- Auditees have not implemented all the elements of the governance framework that would enable them to ensure the delivery of IT services.
- Some auditees did not identify and monitor project benefits realisation and delivery.
- IT steering committees were ineffective when it came to risk optimisation, as they often lacked the appropriate structures and processes to evaluate IT performance and delivery of key IT programmes and projects against strategic plans.
- IT services delivered by third-party service providers were not always monitored against the services agreed in the service-level agreements to ensure optimal service delivery.
- IT resource structures were inadequate to deliver and support current and future business needs, resulting in a lack of resource optimisation.

The SITA Act mandates SITA to provide IT systems and related services to, or on behalf of, participating departments, and to act as government agent for these services. Over several years, auditees have been pointing to delayed and poor-quality services from SITA as a root cause of modernisation projects failing or not getting off the ground and of risks in their IT environment.

We therefore increased our focus on SITA in 2023-24 and found that the entity struggled to deliver on its mandate of providing critical IT services. This was mainly due to the high overall vacancy rates of 56%, which included a shortage of service technicians to upgrade and maintain key IT infrastructure. Frequent changes in SITA's leadership have led to operational instability, governance challenges, reputational damage and difficulties with executing strategic initiatives. In the past five years, SITA has had five chief executive officers or managing directors. There are longstanding vacancies in key executive positions such as the chief operations officer, executive: IT infrastructure services, executive: internal audit, and executive: governance risk and compliance.

Modernisation projects are taking too long to reach successful implementation, resulting in security vulnerabilities and excessive downtime. SITA's mandated procurement responsibilities for government departments also caused delays due to ineffective and delayed processes, which affected the ability of those departments to deliver on their mandates.

3.3 PROCUREMENT AND CONTRACT MANAGEMENT

Supplier appointment and management practices increase risk of financial loss, non-delivery and fraud

The Constitution envisages supply chain management systems that are fair, equitable, transparent, competitive and cost-effective to achieve optimal value for public money spent and ensure equitable opportunities for suppliers to participate in government business. Various pieces of legislation define what processes auditees should follow to adhere to the constitutional principles, the level of flexibility available, and the documentation requirements.

Meticulous contract management and rigorous payment control mechanisms should be in place to ensure that payments are only made after checking that the supplier has delivered on time, at the agreed-upon price, and according to the specified quality standards.

Non-compliance with procurement and contract management legislation

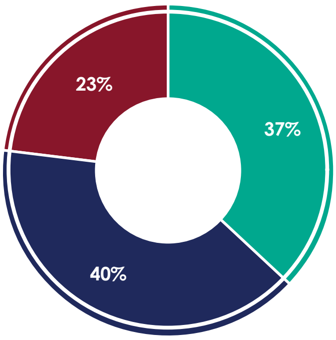
We focus our audits on procurement and contract management processes, recognising that public procurement is the area at greatest risk of fraud, financial loss and irregular practices.

We identified and reported on non-compliance with procurement and contract management legislation over the administrative term. Although there have been improvements since 2018-19, the prevalence of compliance findings remained high at the 371 auditees where we audited this area.

More departments (79%) than public entities (52%) had findings on procurement and contract management. We reported material findings at 42 (24%) of the high-impact auditees.

The areas in which we raised findings stayed the same throughout the administrative term, and there was some improvement in most areas. As detailed in section 2.1, we could not audit R1,7 billion worth of contracts and quotations, also referred to as 'awards', because the documentation was not made available for our audits.

Status of compliance with procurement and contract management legislation and movement from 2018-19



136 Number of auditees with no findings

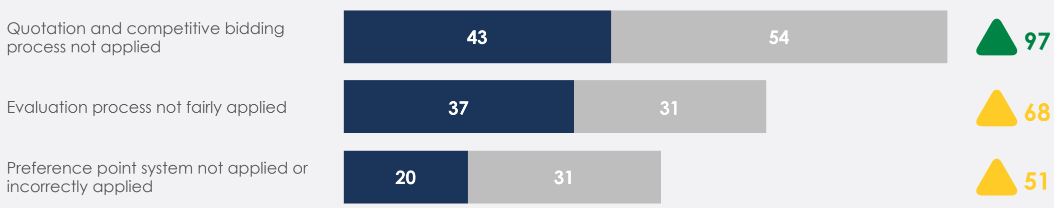
150 Number of auditees with non-material findings

85 Number of auditees with material findings

Movement from 2018-19 128 ▲ 64 ▼

Key areas of non-compliance in 2023-24

Finding	All auditees		High-impact auditees	
Awards to suppliers owned or managed by employees	84 awards R32 million	▲	43 awards R8 million	▲
Awards to suppliers owned or managed by close family members of employees	173 awards R121 million	▲	143 awards R114 million	▲
Contract management non-compliance	77 auditees (21%)	▲	38 auditees (22%)	▲
Uncompetitive and unfair procurement processes	210 auditees (57%)	▼	88 auditees (50%)	►



◆ High-impact auditees ◆ Other auditees ▲ Improved ▲ Slightly improved ► Unchanged ▼ Slightly regressed

We reported findings on **uncompetitive and unfair procurement** processes at 210 auditees (57%), including material findings at 74 auditees (20%). Less competition often leads to higher prices being paid for goods and services. We expand on this later in this section.

Findings on **inadequate contract management** were reported at 77 auditees (21%). The most common finding, which we reported at 51 auditees (14%), including 25 high-impact auditees (49%), related to a lack of or inadequate contract performance measures and monitoring.

Although there is no legislation that prohibits auditees from making **awards to suppliers in which employees and their close family members have an interest,** such awards might create conflicts of interest for employees and/or their close family members. The possibility of undue influence cannot be discounted, especially if the person could have influenced the procurement processes for these awards, which could have created opportunities for irregularities.

Overall, 33 auditees made awards to suppliers owned or managed by close family members of employees. The number of awards to suppliers owned or managed by employees has decreased significantly since 2018-19; in 2023-24, we identified findings in this area at 12 high-impact auditees (7%), compared to 28 (17%) in 2018-19.

There is also no legislation that prohibits making awards to suppliers in which state officials have an interest. However, the Public Service Regulations **prohibit employees of departments from doing business with the state.** In 2023-24, we identified 213 employees doing business with auditees in the national, provincial and/or local government sphere for awards totalling R183 million, compared to 510 employees and R217 million in 2018-19. Five employees were doing business with their own departments for awards totalling R107 million, compared to 79 employees with awards to the value of R7 million in 2018-19. The onus of complying with these regulations is on employees, but departments have a responsibility to monitor such compliance.

We report **indicators of possible fraud or improper conduct in supply chain management processes** for investigation to the accounting officers or authorities. Over the administrative term, we reported the following instances of possible fraud or improper conduct in supply chain management processes for investigation:

- 2 503 suppliers submitted false declarations of interest, in that they declared that no state officials have an interest in the supplier but our audits identified such interest. If they had correctly declared the interest, auditees could have taken any conflict of interest into account before making the award. False declarations constitute misrepresentation, which should have disqualified the suppliers
- 2 054 employees failed to declare interests in suppliers doing business with the state
- 316 payments were made to suppliers despite poor performance
- 29 payments were made to possible fictitious suppliers
- 2 361 allegations relating to other supply chain management areas

Section 3.5 reports on how accounting officers and authorities have responded to these indicators of possible fraud or improper conduct in supply chain management processes.

Suspected fraud resulting in financial loss is a material irregularity. We use the material irregularity tool to ensure that accounting officers and authorities deal with suspected fraud in the procurement processes swiftly and effectively, and put controls in place to prevent it from happening again.

Losses due to suspected fraud

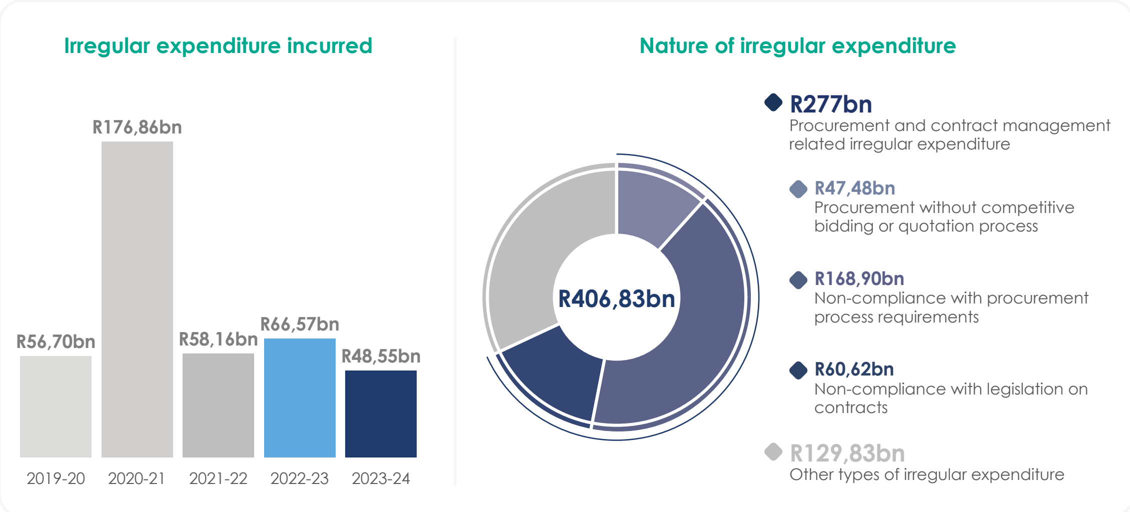
In 2022-23, the **Northern Cape Urban TVET College** submitted quotations for audit purposes that had indicators of tampering and lacked authenticity. The goods and services were also procured at prices higher than market-related costs, resulting in an estimated financial loss of R1,08 million. We notified the accounting officer of a material irregularity in June 2023. The accounting officer did not take appropriate action to resolve the material irregularity, and we referred the matter to the Directorate for Priority Crime Investigation (the Hawks) for further investigation in May 2024. The investigation is in progress.

Irregular expenditure

The amount of irregular expenditure incurred every year since 2018-19 has remained high, totalling R406,83 billion over the administrative term. Non-compliance with procurement and contract management legislation remained the biggest contributor, comprising 68% of the total.

It was the reason for 85% or more of the irregular expenditure incurred every year except for 2020-21. That year saw the biggest increase over the five-year period, mainly due to non-compliance with bursary-related regulations by the National Student Financial Aid Scheme (R77,49 billion), which accounted for 44% of the irregular expenditure incurred in 2020-21.

Irregular expenditure over administration and nature thereof



High-impact auditees were responsible for R375,30 billion (92%) of the irregular expenditure incurred over the administrative term.

As highlighted in section 2.2, the National Treasury introduced changes in 2022-23 to how departments and public entities disclose irregular expenditure. This meant that they were no longer required to disclose ongoing irregular expenditure from multiyear contracts or the closing balance of irregular expenditure in their financial statements. Therefore, the actual amounts of irregular expenditure may differ where these amounts were not disclosed in the annual report or where we did not receive the annual report before completing the audit. This means that our ability to confirm the correctness of the information published has been significantly reduced, leading to weakened transparency and accountability.

In 2023-24, the biggest contributors to the decrease in irregular expenditure were:

- South African National Roads Agency (R9,66 billion decrease)
- Strategic Fuel Fund Association (R2,30 billion decrease)
- North West Department of Human Settlements (R2 billion decrease)
- Department of International Relations and Cooperation (R1,9 billion decrease)
- Limpopo Department of Education (R1,76 billion decrease)

The main reasons for the decreases at these auditees included irregular multiyear contracts that ended in 2022-23, National Treasury exemptions from instruction notes relating to procurement of property leases and motor vehicles by foreign missions, and the condonement of previous irregular contracts (at the South African National Roads Agency and Limpopo Department of Education). Irregular expenditure at the Strategic Fuel Fund Association was higher in the previous year due to the once-off sale of strategic stock.

Impact

The impact of the continued weaknesses in the procurement and contract management processes is as follows:

- Unfair procurement could lead to auditees being exposed to litigation due to breaches of procurement processes. As a result, funds intended for service delivery might be diverted to pay legal fees.
- Non-compliance relating to contractors not being adequately monitored leads to delayed projects, quality issues and increased costs to complete projects.
- Non-equitable procurement has a negative impact on suppliers and government's socioeconomic objectives of empowering previously disadvantaged individuals and small business.
- Uncompetitive and uneconomical procurement practices can result in (or are likely to result in) financial losses, as appointed suppliers might not be able to deliver as expected. This can be prevented if proper processes are followed, and goods and services can be obtained at a lower price if market prices are adequately tested.

We have notified accounting officers and authorities of 46 material irregularities dealing with financial losses due to uncompetitive and uneconomical procurement since 2019. Below are some examples.

Losses due to uncompetitive and uneconomical procurement

- In February 2022, the **Northern Cape Department of Agriculture, Environmental Affairs, Rural Development and Land Reform** awarded a contract for farmer support to a bidder that did not score the highest points in the evaluation process, resulting in an estimated financial loss of R3,51 million. We notified the accounting officer of a material irregularity in May 2023. The accounting officer did not take appropriate action to resolve the material irregularity, and we included recommendations in the audit report, which had to be implemented by August 2024. We are assessing the response to the recommendations.
- In 2021-22, the **Department of Social Development** acquired capital assets at prices above market value, resulting in an estimated financial loss of R1,21 million. We notified the accounting officer of a material irregularity in March 2023. A forensic investigation was concluded in November 2023 and further action is being taken to fully resolve the material irregularity.

Losses due to uncompetitive and uneconomical procurement *(continued)*

- In December 2019, **Transnet** awarded contracts for the leasing of heavy-duty plant and equipment to six service providers that did not score the highest points in the evaluation process, resulting in an estimated financial loss of R29,4 million. We notified the accounting authority of a material irregularity in August 2021. In October 2021, training was provided to supply chain management officials and the supply chain management policy was updated to align with applicable legislation. A forensic investigation was completed in March 2022 and written warnings were issued to the responsible officials in September 2022. The material irregularity has been resolved.

- The **North West Department of Health** entered into a contract for the maintenance of medical equipment from November 2016 to October 2020 at prices that were not market related, resulting in an estimated financial loss of R3,34 million. We notified the accounting officer of a material irregularity in February 2021. The accounting officer referred the matter to the Hawks in June 2021 for criminal investigation and recovery of financial loss, and the investigation is still in progress. The contract with the service provider ended in October 2020 and no further losses were incurred. The department's internal controls have since been strengthened and require a pre-agreed maintenance plan based on market-related prices to be in place for the procurement of all equipment. The material irregularity has been resolved.

- The **Free State Department of Education** did not evaluate a bidder that achieved the minimum qualifying score for functionality criteria for a contract covering IT training to teachers from February 2020 to February 2023. The department awarded the contract to the second-lowest bidder, resulting in an estimated financial loss of R8,21 million. We notified the accounting officer of a material irregularity in July 2020. The contract with the service provider was terminated in July 2020 before any services were rendered, thereby preventing the financial loss. In September 2020, the department strengthened oversight of the bidding process through additional reviews of bid evaluation reports and bid documents before the approval of awards. In May 2021, the internal audit unit investigated the matter and members of the bid evaluation committee were issued with written warnings. The material irregularity has been resolved.

- In February 2017, the **Department of Defence** awarded an inventory and asset management contract to a bidder that did not score the highest points in the evaluation process, resulting in an estimated financial loss of R250,60 million. We notified the accounting officer of a material irregularity in July 2019. The accounting officer did not take appropriate action to resolve the material irregularity, and we referred the matter to the Special Investigating Unit for further investigation in October 2023. The investigation is in progress.

- In March 2015, the **Gauteng Department of Health** awarded a contract for IT infrastructure without inviting competitive bids, resulting in a financial loss of R148,90 million. We notified the accounting officer of a material irregularity in June 2019. In July 2019, the accounting officer referred the matter to the National Prosecuting Authority and the State Attorney for criminal prosecution and a civil claim, respectively. The processes are in progress. Two officials were found guilty – one was cautioned in April 2020 and the other was given a verbal warning in June 2020. The material irregularity has been resolved.

3.4 FINANCIAL MANAGEMENT

Poor quality of spending puts pressure on government finances

In 2023-24, accounting officers and authorities managed an estimated expenditure budget of R2,07 trillion in national and provincial government. We obtained this amount through the audit process: it includes all the funds departments and public entities budgeted for operating expenditure to run day-to-day operations; and capital expenditure to provide services and to acquire, upgrade and maintain assets and infrastructure.

Over the administrative term, we consistently 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.

Fruitless and wasteful expenditure incurred over the administrative term totalled R10,34 billion, with high-impact auditees being responsible for R8,73 billion (84%) of this amount. In 2023-24, the total fruitless and wasteful expenditure for all auditees was R2,57 billion, an increase of 49% from the previous year, with high-impact auditees being responsible for R2,05 billion (80%) of this amount.

The biggest contributors to the increase in fruitless and wasteful expenditure were the following:

- Transnet (R0,58 billion) – overpayments, interest and penalties, and cost of cancelled infrastructure projects
- Gauteng Department of Human Settlements (R0,52 billion) – cost of feasibility studies on cancelled housing projects
- Free State Development Corporation (R0,27 billion) – overpayment for assets on Special Economic Zone project that were valued lower than what was paid for their construction

Two of 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). Other reasons include the following (on which we expand in the rest of section 3.4):

- Poor payment practices
- No or limited benefits received for money spent
- Claims against departments
- Governance failures
- Overspending of budgets and poor financial health

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 practices, but are included in the Public Finance Management Act, which makes accounting officers and authorities responsible for ensuring that the required processes and controls are implemented.

In 2023-24, 35 auditees failed to pay their suppliers within the required 30 days, of which 25 (71%) were high-impact auditees. The high-impact auditees incurred interest and penalties totalling R2,78 billion over the administrative term.

Since 2019, we have identified 156 material irregularities related to 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.

Poor payment practices

- In March 2019, **Transnet** did not pay value-added tax due to the South African Revenue Service on time and incurred interest and penalties of R64,50 million. We notified the accounting authority of a material irregularity in June 2024. In August 2024, the two parties reached a settlement agreement according to which the revenue service agreed to waive penalties of R51,96 million. The material irregularity has been resolved.

- The **Private Security Industry Regulatory Authority** awarded a contract for training and paid a supplier an estimated R30,18 million between May 2019 and February 2022 for training that was not provided to students. We notified the accounting authority of a material irregularity in August 2023. The service provider signed an acknowledgement of debt in September 2023 and provided training to the students by March 2024. In 2023-24, internal controls were strengthened to compare the signatures on student registers provided by the service provider to those on the student contracts to ensure validity. Further action is being taken to fully resolve the material irregularity.

- The **Free State Office of the Premier** did not implement adequate controls for the payment of transport services provided from 2017-18 to 2019-20, resulting in overpayments estimated at R13,03 million being made to the service provider. We notified the accounting officer of a material irregularity in July 2023. The accounting officer referred the recovery of overpayments to the Office of the State Attorney in September 2023 and the funds are in the process of being recovered. In October 2023, a new transaction control checklist was implemented to confirm the validity and accuracy of claims before approval of payments. The material irregularity has been resolved.

- During 2016, the **KwaZulu-Natal Department of Agriculture and Rural Development** certified work for the construction of two woolsheds as completed and made payments of R1,27 million to a supplier despite no work having been done. We notified the accounting officer of a material irregularity in July 2022. A forensic investigation was completed in March 2023, but disciplinary action could not be instituted as the responsible official had resigned. A criminal case was reported to the South African Police Service in July 2022. Legal proceedings for loss recovery from the service provider commenced in June 2024 and are in progress. The material irregularity has been resolved.

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. 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 2019, we have notified the accounting officers and authorities of 25 material irregularities dealing with such losses.

No or limited benefit received for money spent

- In July 2016, the **Energy and Water Sector Education and Training Authority** awarded a contract for the training of 7 000 students to a service provider and made payments of an estimated R75,85 million for work that could not be confirmed. We notified the accounting authority of a material irregularity in November 2023. Legal processes to recover the funds from the service provider are in progress. Further action is being taken to fully resolve the material irregularity.

- In February 2020, the **Department of Labour** acquired software licences that were not used in full, resulting in an estimated financial loss of R231,07 million. We notified the accounting officer of a material irregularity in September 2023. The accounting officer did not take appropriate action to resolve the material irregularity, and we included recommendations in the audit report, which should be implemented by January 2025.

- The **Department of Forestry, Fisheries and the Environment** entered into a five-year contract starting in May 2018 to lease a depot that did not have the required land zoning for tyre storage and processing – which was why the department needed to lease the depot. This resulted in the department not being able to use the depot while making the lease payments, estimated at R4,04 million. We notified the accounting officer of a material irregularity in December 2022. An investigation conducted in April 2023 found five officials as being liable for the non-compliance. By the time of the investigation, one of the employees had already retired, three employees' contracts had expired and were not renewed, and one employee had already been dismissed based on a separate matter. Further action is being taken to fully resolve the material irregularity.

- In January 2018, the **Water Trading Entity** placed the construction of the Hazelmere Dam on hold due to delays in procuring construction monitoring equipment and paid for site re-establishment costs and standing time, resulting in a financial loss of R39,1 million. We notified the accounting authority of a material irregularity in December 2021. An investigation was completed in July 2022 and disciplinary proceedings are underway. The raising of the dam wall was completed in March 2023. A letter of demand was delivered to the service provider in June 2023 for loss recovery. The entity improved its internal controls to limit further losses and is taking further action to fully resolve the material irregularity.

Claims against departments

Claims are made against departments through litigation for compensation as a result 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 departments implement 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 the claims in their financial statements based on the most likely outcome of the process.

In 2023-24, the estimated settlement value of the claims against departments that have not yet been settled (by court order or mutually between the parties) totalled R105,57 billion. High-impact auditees accounted for R101,88 billion of this amount. Over the administrative term, provincial health departments accounted for R64,39 billion (61%) of this amount and remained the largest contributors.

A total of 32 high-impact departments (46%) had claims against them with an estimated settlement value of more than 10% of their budget of the following year. This means that if the departments pay out these claims in 2024-25, they will use more than 10% of their budget meant for other strategic priorities, including service delivery.

The financial position of the health sector has remained under immense pressure for years because of limited funding and poor financial management. The total medical claims against the sector currently stand at R63,27 billion – a decrease of 19% from R76,37 billion last year. This decrease is mainly due to departments undertaking processes to validate claim registers by removing invalid and duplicate claims as well as reassessing claims based on best estimates developed by the sector.

As in our previous general reports, we continue to highlight the need for the health sector to pay specific attention to medical record keeping, because claims often cannot be successfully defended without proper records. Departments then suffer further financial losses because they are ordered to pay interest on claims that are not paid out to beneficiaries by the time ordered by the court.

Governance failures

The high-impact auditees include institutions that are responsible for providing funding to support society through grants, aid and social protection and to drive economic growth.

Over the administrative term, our audits of many of these institutions revealed a concerning trend of performance, accountability and transparency failures. Their control environments did not prevent or deal appropriately with non-performance, unethical behaviour, fraud, non-compliance with legislation and maladministration. The impact of the governance breakdown at these auditees was the loss of funds intended to benefit the public and businesses or such funds being placed at risk. These funds are often collected directly from the public and businesses through levies and taxes, which makes the impact of the misuse or loss of the money even worse.

Below are examples of institutions responsible for collecting and disbursing funds failing in the areas of performance, accountability and transparency.

Compensation Fund

The fund was responsible for the administration of R11,18 billion received from employer contributions in 2023-24. The purpose of these funds is to provide compensation to employees who are injured or contract diseases while in the workplace. The breakdown of internal controls at the fund has not been adequately addressed over several years, leading to financial management, transparency and overall service delivery being significantly compromised. This longstanding issue has created a gap in accountability and has hindered the effectiveness of operations.

The fund received disclaimed audit opinions for 12 consecutive years. It accumulated R73,83 million in irregular expenditure and R279 million in fruitless and wasteful expenditure over the administrative term.

In 2023-24, we again identified weaknesses in revenue management resulting in employer contributions not being billed or collected. Claims were paid to employees of defaulting employers; benefit calculations were not always correct; invalid claims were paid; and there were delays in paying out benefits, resulting in legal fees and interest penalties. The fund also lost money through investments that did not yield the desired results. The risk of fraud is high due to the control weaknesses and we identified several fraud risk indicators.

We have issued five material irregularity notifications that cover losses in revenue, payment for goods and services not received, losses due to interest and penalties, and invalid benefit payments made.

Unemployment Insurance Fund

The fund submitted its financial statements late for auditing in all five years of the administration's term. By the date of this report, the 2023-24 audit of the fund had not yet been finalised due to the late submission of financial statements. These delays have a knock-on effect on the submission of the annual report to the minister and the tabling of the report in Parliament. The minister is then also unable to hold the accounting authority to account and to make financial and related service delivery decisions.

The fund received a qualified audit opinion with findings in the 2018-19 to 2022-23 financial years.

We will continue to report and engage on the governance breakdown at some of these auditees and its resultant impact on the fiscus and the public.

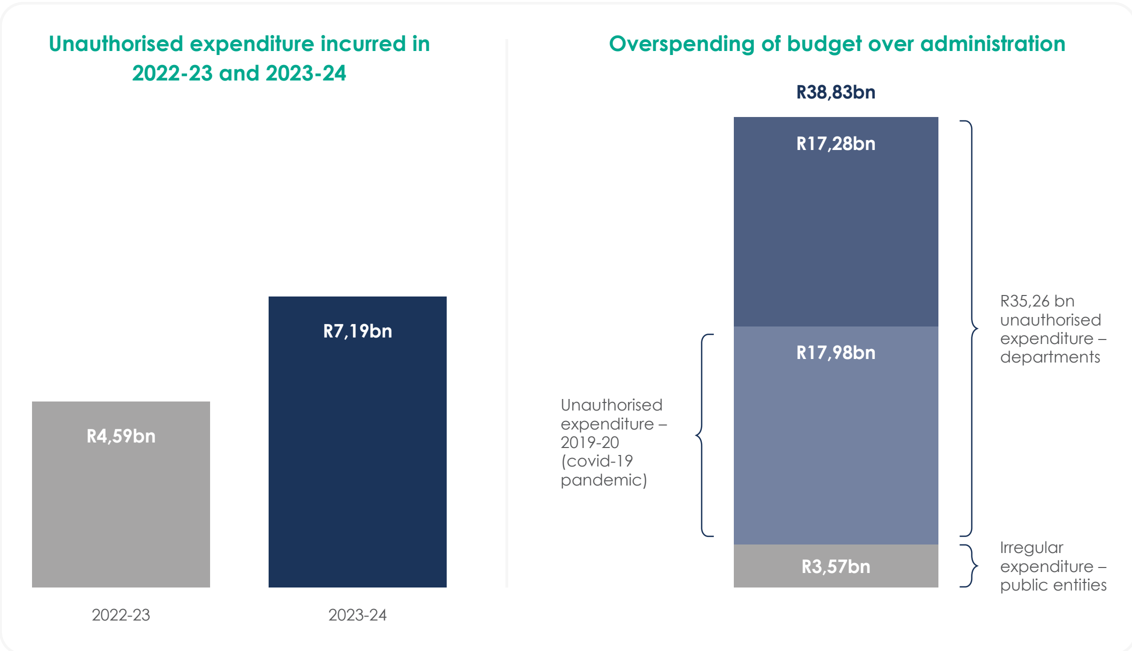
Overspending of budgets and poor financial health

When departments overspend their budgets, they disclose this as unauthorised expenditure. If this type of expenditure is condoned, it means that the department needs to either find more money or absorb the overspent amount, which reduces the available budget for the following years. Unlike departments, which must submit their budget vote to parliamentary committee hearings for approval, public entities do not have a separate vote and thus disclose their overspending as irregular expenditure.

Despite budget cuts, auditees did not regularly review or adjust their spending, which has led to high levels of budget overspending. The combined overspending of departments and public entities totalled R38,83 billion over the five years. More than half of the amount incurred by departments related to the prepayment of social grants in 2019-20 during the covid-19 pandemic by the Department of Social Development.

In 2023-24, departments incurred R7,19 billion in unauthorised expenditure – 57% more than in the previous year. Public entities incurred irregular expenditure due to overspending of R0,17 billion in 2023-24, a decrease of 81% from R0,90 billion in the previous year.

Overspending of budgets



High-impact auditees were responsible for 87% of the R7,36 billion that departments and public entities overspent in 2023-24. Most of the overspending (67%) related to national government, primarily the defence and military veterans portfolio because of overspending on employee costs and the unfunded deployment of the South African National Defence Force. We reported material findings on compliance at six high-impact auditees that failed to prevent unauthorised expenditure.

In terms of the Modified Cash Standard used by departments, the amounts disclosed in the financial statements only include what was actually paid during the year and do not include accruals (money owed for unpaid expenses) at year-end. While this is common for government accounting, it does not give a complete view of a department's year-end financial position.

Every year, we reconstruct the financial statements at year-end to take these unpaid expenses into account and provide our insights to management to give them a better understanding of the financial state of their departments. This also allows us to assess whether the surpluses reported are accurate.

These reconstructed financial statements show that many departments cannot operate within their budgets. The total **deficit** across all departments was R55,39 billion in 2023-24, with R47,01 billion (85%) of this amount being from high-impact departments. Over the administrative term, departments incurred a total deficit of R244 billion.

When an auditee has a deficit at year-end, this means that it did not have enough revenue to cover all of its expenses for that year. This most often means that the auditee will have to use its income for the next year to cover what it was short this year.

Overall, public entities ended 2023-24 with deficits totalling R13,94 billion, with R10,72 billion (77%) of this amount incurred by high-impact public entities. Typically, public entities are funded through revenue such as levies and taxes, although some (such as Transnet) are funded through capital funding from external markets. They will need to either receive additional funding or use their reserves to cover their deficits.

The major contributors to the R13,94 billion deficit (constituting 74% of the total) were:

- Transnet – R7,3 billion
- Petroleum Oil and Gas Corporation – R1,38 billion
- Gautrain Management Agency – R1,03 billion
- Strategic Fuel Fund Association – R0,31 billion
- Free State Development Corporation – R0,28 billion

Most public entities are self-funded, which means that they need to bill all the goods or services they sell or the levies and taxes they manage, and then collect all debt owed to them. Public entities struggled with **debt collection**, and high-impact public entities took an average of 111 days to collect the money they were owed. In total, 69 (67%) of the high-impact public entities disclosed that more than 10% of their debt is irrecoverable.

Since 2019, we have identified 15 material irregularities related to revenue not billed or debt not recovered.

Debt not recovered

From April 2022 to March 2023, the **Limpopo Department of Public Works, Roads and Infrastructure** leased accommodation to various employees but did not charge them for electricity consumption, resulting in an estimated financial loss of R1,21 million. We notified the accounting officer of a material irregularity in August 2023. Prepaid meters were installed at the affected houses by April 2024. Further action is being taken to fully resolve the material irregularity.

The **financial position** of 21 public entities is so dire that they either disclosed a material uncertainty in their financial statements about whether they would be able to continue operating, or received modified audit opinions because they could not show that they would be able to continue operating.

Simply put, these public entities do not have enough revenue to cover their spending and they owe more money than they have. Many of these public entities have been in this dire financial position multiple times over the past five years, which affects their ability to deliver services to the public in line with their mandates.

Seven of these are high-impact public entities, including four state-owned enterprises (Transnet, Petroleum Oil and Gas Corporation, South African Broadcasting Corporation and Pelchem).

Public entities with serious financial health concerns

Disclosed for 5 or more years

- Autopax
- Corridor Mining Resources
- Free State Development Corporation
- GL Resorts
- Golden Leopard Resorts
- Great North Transport
- Ithala
- Northern Cape Rural TVET College*
- North West Development Corporation
- Pelchem*
- Petroleum Oil and Gas Corporation*
- Road Accident Fund*
- South African Broadcasting Corporation*

Disclosed for 3 years

- Mpumalanga Regional Training Trust

Disclosed for 2 years

- Gateway Airport Authority

Disclosed for 1 year

- Mpumalanga Economic Growth Agency
- National Regulator for Compulsory Specifications
- North West Parks and Tourism Board
- Property Practitioners Regulatory Authority
- Transnet*
- Umfolozi TVET College*

* High-impact auditees

Causes of continued weaknesses in financial management

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 effective monitoring, oversight and accountability, including appropriate consequences for wrongdoing:
  - Public accounts committees and portfolio committees rarely act on what is disclosed in the financial statements, and instead depend on the auditees and auditors to highlight what they need to look at. Often, the committees do not make impactful resolutions based on their assessment of the financial statements.
  - Very little action is taken against those responsible for wasting money and making poor financial decisions.

3.5 CONSEQUENCE MANAGEMENT

Culture of no consequences will slow progress

In every year of the 6th administration, we reported that a culture of no accountability and consequences was a root cause of continued transgressions and non-performance. In 2023-24, we assessed this to be one of the main root causes of poor audit outcomes at 40% of auditees.

An accountability culture should be demonstrated by officials accounting for how they performed and taking responsibility for their actions and decisions. An essential element that strengthens such a culture is that those who do wrong (transgress), do nothing (fail to act) or perform poorly should face consequences for their actions.

When officials face consequences for their actions, this helps auditees to both recover the losses caused by those officials and deter others from disregarding legislation and perpetuating a culture where they get paid their salaries without fulfilling their responsibilities.

The Public Finance Management Act and instructions issued in terms of the act, Treasury Regulations and the policies of an auditee define the steps an accounting officer or authority should take when they become aware of an irregularity or any allegation of financial and supply chain misconduct and fraud.

Legal obligations of accounting officers and authorities to address irregularities and allegations

If an accounting officer/authority is made aware of an irregularity, legislation typically prescribes the following steps to be taken:

1. **Perform preliminary investigation** to determine facts and collect information on what caused transgression, who is responsible and whether financial loss was (or will be) suffered

If applicable

(An auditee's policies and procedures typically describe how and when these steps should be taken)

↓

2. **Prevent any losses or future losses**
3. **Institute a formal investigation** if there are **indications of fraud, corruption or other criminal conduct;** if confirmed, take further action (e.g. report matter to the police)
4. **Recover any financial losses** from an **external party**
5. **Take steps against the responsible officials** (which can include a financial misconduct investigation)
6. **Recover any financial losses** from **responsible officials**

'Consequence management' refers to the processes and controls that should be in place at an auditee to ensure that these legislated responsibilities are complied with in a consistent and timeous manner.

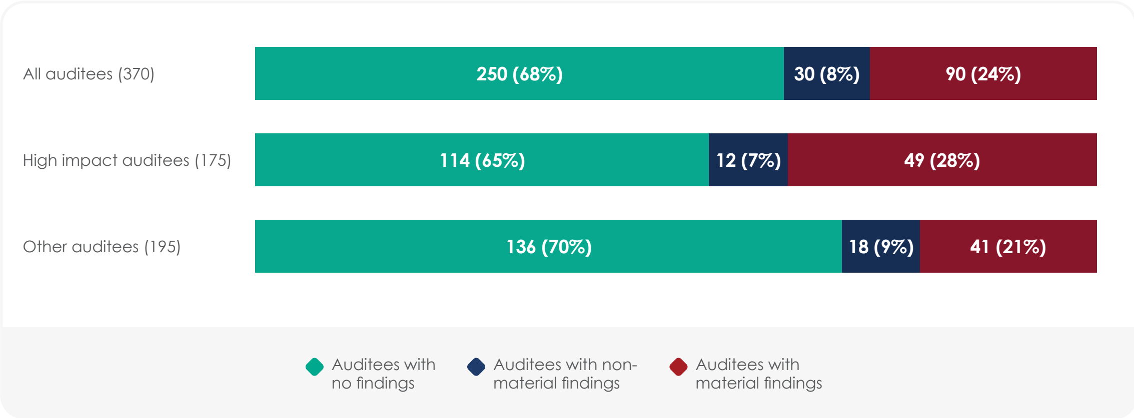
In section 5, we explain that the accounting officer or authority must go through a similar process when we notify them of a material irregularity. We highlight that the stumbling blocks to the timeous resolution of material irregularities are often delays in performing investigations (step 1 in the figure) and taking steps against officials through disciplinary processes (step 5 in the figure).

Over the administrative term, we observed the same weaknesses in consequence management. This observation is based on auditing auditees' compliance with consequence management legislation, testing how they respond to allegations of fraud or misconduct, and evaluating their responsiveness to our findings on transgressions and possible fraud that we recommend for investigation.

Non-compliance with consequence management legislation

The number of auditees that failed to comply with legislation on consequence management increased from 101 (27%) last year to 120 (32%) in 2023-24, but decreased slightly from 124 auditees (35%) in 2018-19. Findings in this area were more prevalent at high-impact auditees, 35% of which failed to comply with the legislation.

Status of compliance with legislation on consequence management



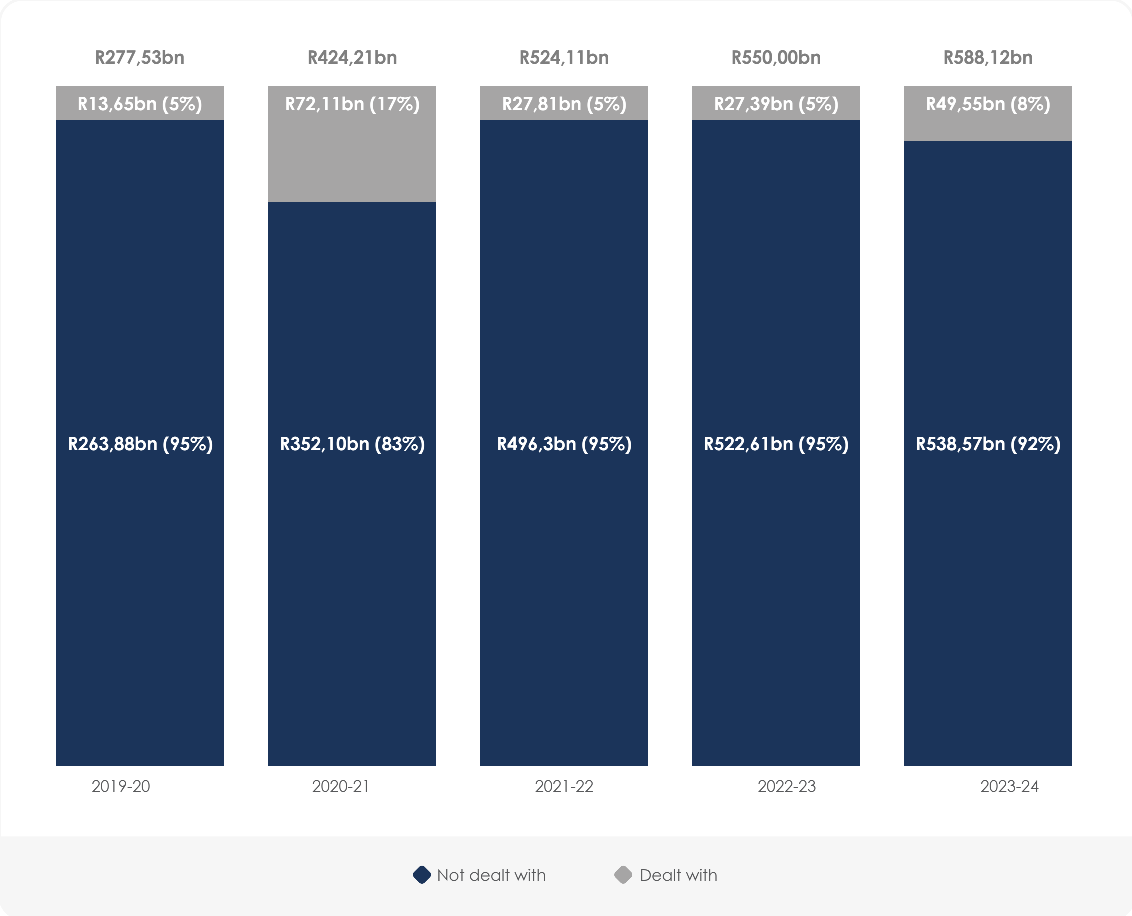
All unauthorised, irregular, and fruitless and wasteful expenditure that auditees disclose must be investigated to determine the impact and find out who is responsible. Based on the outcome of the investigation, the next steps can include condoning or authorising the spending, recovering the funds or writing off the loss. Contracts that were awarded irregularly may also be cancelled.

The most common findings in this area involved auditees not investigating and/or properly dealing with irregular and fruitless and wasteful expenditure. This means that they did not take sufficient steps to recover, write off, approve or condone such expenditure. At high-impact auditees, 21% did not investigate the previous year's irregular expenditure, 16% failed to do so for fruitless and wasteful expenditure, and 11% failed to take effective and appropriate disciplinary steps against officials who made and/or permitted irregular expenditure.

By the 2023-24 year-end, the balance of irregular expenditure that had accumulated over many years totalled R582,40 billion, with high-impact auditees being responsible for R551,30 billion (95%) of this amount. This balance increased steadily from 2018-19, before stabilising in 2023-24.

By the 2023-24 year-end, very little had been done about the 2022-23 irregular expenditure year-end balance of R588,12 billion. We have raised concerns about the delays and the way irregular expenditure is dealt with for many years but, despite these warnings, the balance has continued to grow.

How auditees dealt with prior-year irregular expenditure



Over the administrative term, auditees have dealt with R190,50 billion in irregular expenditure. This includes R141,31 billion condoned, R22,15 billion written off, R0,47 billion recovered or in the process of recovery, and R26,57 billion removed by accounting officers or authorities after it had not been condoned in accordance with National Treasury instruction notes.

Investigations into fraud and misconduct

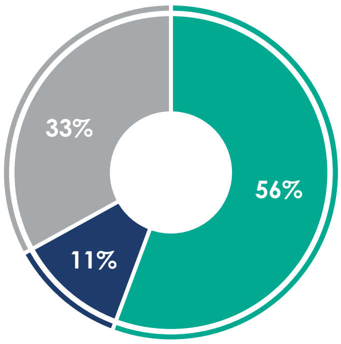
Accountability should also come into play where allegations of financial and supply chain misconduct and fraud have been made. In 2023-24, we audited 55 auditees against which such allegations had been made through mechanisms such as fraud hotlines to see whether these allegations had been investigated and addressed – 20% of these auditees did not investigate the allegations at all.

When we identify possible fraud risks, we report these to the accounting officers or 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 2022-23, we reported findings on indicators of fraud or improper conduct in supply chain management processes at 106 auditees for follow-up, of which 52 related to high-impact auditees. These are the fraud indicators referred to in section 3.3.

Investigations into fraud or improper conduct of supply chain management processes we reported at 106 auditees in 2022-23

Overall status



59 Auditees investigated all of the findings reported

12 Auditees investigated some of the findings reported

35 Auditees investigated none of the findings reported

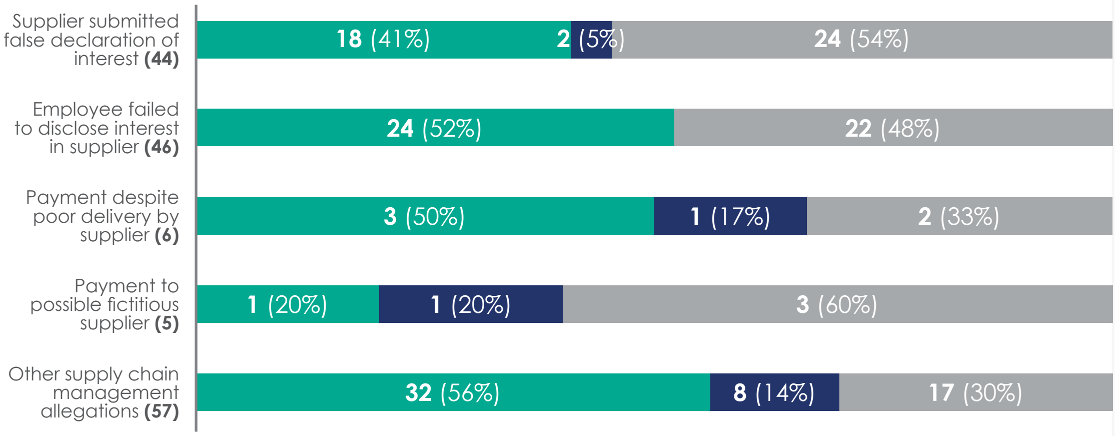
71

43 (61%) resolved all findings

21 (29%) resolved some findings

7 (10%) did not resolve findings (e.g. did not implement investigation's recommendation to cancel contracts in which employees failed to declare their interest)

Status per type of finding



All investigated | Some investigated | None investigated

More than half of the auditees (54%), including 14 high-impact auditees (61%), failed to appropriately investigate or deal with the instances of false declarations by suppliers we reported to them.

Accounting officers and authorities should complete these investigations swiftly so that potentially fraudulent activities can be stopped, the necessary criminal investigations can start, further transgressions can be prevented, and any financial losses can be recovered.

3.6 CONCLUSION

Throughout this section, various risks to service delivery have been highlighted: from weaknesses in infrastructure delivery, information systems, procurement and finance processes to a lack of consequences. These risks are further demonstrated in the next section dealing with key government priorities.

04

KEY GOVERNMENT

Delivery on key government priorities will be improved by attending to weaknesses in governance, control and accountability

Over the administrative term, our multidisciplinary teams performed work in the sectors and portfolios responsible for delivering on government's key priorities. We reported our findings to the departments and public entities, the national sector departments, the ministers responsible for delivering on these priorities, and the relevant portfolio committees. We also provided recommendations, which included improving the efficiency and effectiveness of processes and activities, strengthening controls, and addressing the root causes of delays or failures.

We found the administration to be responsive to our recommendations and appreciative of the insights we shared. We will intensify this work over the next five years to contribute to improvements in service delivery and accountability.

In this section, we provide information on the audit results of four groups of auditees that are essential to the delivery of key priorities – the health, basic education, and water and sanitation sectors, and state-owned enterprises (SOEs).

We also report on the performance reporting challenges facing the health and basic education sectors. As detailed in section 2.3, we audit the usefulness and reliability of performance reports.

- If auditees have material findings on **reliability,** it means that either we had proof that the achievement as reported was not correct, or we could not find evidence to support it.
- If auditees have material findings on **usefulness,** it means that the indicators in their plans and against which they reported were not measurable, consistent, relevant or complete.
    - An indicator that is **measurable** has a clear definition of what the indicator measures and there are verifiable processes and methods in place to measure achievements. **Consistency** means that the performance indicators and targets reported in the performance report agree to those committed to in the performance plan; the required approval was obtained if changes were made; and the reported achievement is aligned to the achievement defined by the performance indicator or target.
    - Performance documents are **relevant** if they only include performance indicators that measure achievements related to the auditee's mandate or to what the planned objective is intended to achieve; and targets are related to what the performance indicator measures. Performance documents are **complete** if they include all indicators that measure auditees' performance on their core mandated functions, including their contribution to Medium-Term Strategic Framework (MTSF) priorities.

Accurate and complete performance reports are important for these sectors as the information assists in planning and is used to track the progress of the sectors towards achieving medium-term objectives as included in the MTSF, long-term goals as included in the National Development Plan (NDP) 2030, as well as applicable global priorities taken from the Sustainable Development Goals (SDG). Overall, performance reports with material misstatements make it difficult to track the achievements of auditees against their planned targets and allocated budget, which undermines the accountability mechanisms.

This section also includes our findings on the programmes in the health sector that are intended to enable quality healthcare as well as three key programmes in the basic education sector, namely mathematics curriculum implementation, school nutrition and learner transport.

The section concludes with an overview of the state of government in the water and sanitation sector and at SOEs.

4.1 HEALTH SECTOR

Overall audit outcomes **improved** over administration

2023-24 1 | 6 | 3

Movement from 2018-19 4 ▲ 0 ▼

Improved
- KwaZulu-Natal Department of Health
- Limpopo Department of Health
- Mpumalanga Department of Health
- North West Department of Health

Unchanged
- Western Cape Department of Health and Wellness
- National Department of Health
- Gauteng Department of Health
- Eastern Cape Department of Health
- Free State Department of Health
- Northern Cape Department of Health

Unqualified financial statements

70% (7) 2018-19: 30% (3) ▲

Auditees submitted financial statements without material misstatements for auditing

50% (5) 2018-19: 10% (1) ▲

No material findings on performance reports

20% (2) 2018-19: 10% (1) ▲

No material findings on reliability

20% (2) 2018-19: 10% (1) ▲

No material findings on usefulness

80% (8) 2018-19: 60% (6) ▲

No material findings on compliance

10% (1) 2018-19: 10% (1) ▶

Most common finding areas at departments

Consequence management	80% (8)
Unauthorised, irregular, and fruitless and wasteful expenditure	70% (7)
Expenditure management	70% (7)
Strategic planning and performance management	70% (7)

Unauthorised and fruitless and wasteful expenditure

Unauthorised expenditure incurred over 5 years

R5,55bn

Top three contributors over 5 years

Health (Eastern Cape)	R2,38bn
Health (KwaZulu-Natal)	R1,25bn
Health (North West)	R1,02bn

Fruitless and wasteful expenditure incurred over 5 years

R0,76bn

Top three contributors over 5 years

Health (Gauteng)	R0,28bn
Health (Eastern Cape)	R0,20bn
Health (Free State)	R0,15bn

Financial health indicators

	2023-24
Deficit (expenditure exceeded revenue)	R13,84bn (7)
Claims against departments	R64,46bn (10)
Average debt-collection period	903 days

Irregular expenditure

Incurred over 5 years

R46,25bn

Closing balance 2023-24

R86,44bn

Top three contributors over 5 years

Health (Gauteng)	R13,74bn
Health (KwaZulu-Natal)	R13,45bn
Health (Northern Cape)	R7,51bn

Compliance with procurement and contract management legislation

Auditees with no material or non-material findings on compliance with procurement and contract management legislation

0% (0) 2018-19: 0% (0) ▶

Most common findings at departments

Procurement from suppliers without SARS tax clearance	60% (6)
No declaration of interest submitted by provider	50% (5)
No/inadequate contract performance measures and monitoring	50% (5)

Material irregularities

33 Material **financial loss**

Estimated **R0,74bn**

4 **Misuse** of material public resource due to under-utilisation

4 Substantial **harm to public sector institutions**

Unqualified with no findings (clean) | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audits

▲ Improved ▶ Unchanged ▼ Regressed

Performance reporting

In 2023-24, we reported material findings on the performance reports of eight departments (80%) in the health sector. While we only reported material findings on the usefulness of the performance reports of two departments, the prevalence of material findings on reliability remained high, with findings reported at eight departments (80%).

It will be difficult to track the achievements of the eight departments with unreliable information against their planned targets and allocated budget. These departments cannot transparently report on their contributions to government programmes and health initiatives. This weakens the accountability processes because those that need to monitor and make decisions about key health deliverables are not working with reliable (audited) information.

Below are some examples of performance indicators that were not reliable and not useful (including those that were not measurable and not complete).

Reported achievements not reliable
(Evidence contradicted achievement / lack of evidence to support reported achievement)

Indicator	Province	Target	Reported achievement
Child under five years pneumonia case fatality rate – provincial hospital services	Gauteng	2,3%	2,1%
Child under five years severe acute malnutrition case fatality rate – district health services	Northern Cape	≤6%	5%
Ideal clinic status obtained rate	KwaZulu-Natal	85,1%	97,9%
HIV test positive around 18 months rate	Limpopo	0,8%	0,18%
Infant HIV test positive around six months rate	KwaZulu-Natal	1%	0,3%
HIV positive 15-24 years (excl. antenatal care) rate	North West	≤2%	0,7%
Patient experience of care satisfaction rate – district health services	Limpopo	80%	81%
Patient experience of care satisfaction rate – provincial hospital services	Eastern Cape	84%	84,5%

Performance indicators not measurable

The following indicators of the North West Department of Health were not measurable:

- Neonatal death in facility rate and patient experience of care satisfaction rate – indicator not clearly defined and no verifiable processes for measurement
- Death under five years against live birth rate – no verifiable processes for measurement

Reasons for variances not included in performance report or not verifiable

The Northern Cape Department of Health did not include reasons for variances between planned and actual performance in its performance report. Reasons for variances were also not supported by corroborating evidence for the following indicators:

- Patient experience of care satisfaction rate (regional hospitals)
- Severity assessment code 1 incident reported within 24 hours rate (regional hospitals)
- Patient safety incident case closure rate (regional hospitals)
- Number of deaths in facility under five years
- Child under five years diarrhoea case fatality area
- Child under five years pneumonia case fatality rate
- Patient experience of care satisfaction rate (specialised hospitals)

Key MTSF indicators excluded from performance plans and reports

The Northern Cape Department of Health did not include a performance indicator for the number of clinics attaining ideal clinic status in its performance plan.

The lack of adequate systems, including information technology (IT) systems, to collate and report on performance information contributed to the findings on reliability. The sector relies on information being collected, captured and verified at the various regional hospitals, district hospitals and clinics – using manual processes prone to error, mainly due to inadequate record keeping. The usefulness findings were as a result of inadequate reviews of performance plans and poor record management.

Healthcare service delivery

The NDP includes nine long-term health goals for South Africa. One of the goals relates to universal healthcare coverage so that 'everyone must have access to an equal standard of care, regardless of their income'. The SDG 3 adopted in 2015 includes a target relating to the achievement of universal health coverage, including access to quality essential healthcare services for all South Africans by 2030.

In response to the NDP and SDG 3, the 2019-24 MTSF included an implementation plan with key interventions that the health sector would undertake to achieve the outcome relating to 'universal healthcare coverage for all South Africans by 2030'. Most of these interventions directly relate to the improved quality of healthcare service delivery. The MTSF included a target of 100% of primary healthcare facilities across the country having attained and/or maintained ideal clinic status by 31 March 2024.

The Department of Health launched the **ideal clinic** and **ideal hospital** initiatives to lay a strong foundation for the achievement of universal healthcare coverage for all. The department developed frameworks for ideal clinics and hospitals to help them obtain their accreditation from the Office of Health Standards Compliance in preparation for the implementation of the National Health Insurance.

An ideal clinic is defined as a clinic that offers high-quality healthcare services to the community, close to their place of residence, thus reducing pressure on hospitals; provides good infrastructure; employs adequate staff; maintains adequate medication; implements good administrative processes; procures sufficient bulk supplies; uses applicable clinical policies, protocols and guidelines; and harnesses partner and stakeholder support.

The Ideal Clinic Realisation and Maintenance Programme defines 10 components, 33 sub-components and a combination of 238 non-negotiable vital, vital, essential and important elements that must be present and functioning optimally for a primary healthcare facility to be regarded as ideal.

An ideal hospital provides good infrastructure, efficient patient administrative processes, adequate staff, and evidence-based services; continuously improves the quality of care it offers based on patient experiences; optimises hospital processes, finances, systems and risk mitigation; maintains good corporate governance; and is accountable to the community and other stakeholders.

The provincial health departments put mechanisms in place to assess the status of clinics and hospitals to determine their readiness for accreditation. The clinics perform self-assessments, which are then peer-reviewed by dedicated ideal clinic monitoring teams. The hospital self-assessments are performed by the quality management units of the hospitals and signed off by their chief executive officers.

The **Central Chronic Medicines Dispensing and Distribution Programme** provides an alternative mechanism to facilitate access to medicine for patients who require chronic medication but cannot afford to visit facilities regularly. Instead, they can collect their medication at pick-up points close to where they reside. The national department plans, measures and reports on the uptake of the programme through their performance plan and performance report.

Modernised systems are required to support the health sector's processes and objectives. To this end, the national department developed the National Digital Health Strategy. The strategy's objectives include digitising health system business processes and ensuring that systems are interoperable (in other words, they can work with each other) to address the fragmented and uncoordinated delivery of IT initiatives.

In 2013, the department embarked on a project to develop and implement the health patient registration system. The system is a critical component required to enable interoperability of health systems. It is meant to be the authoritative source of patient demographic information to facilitate efficient patient administration and evidence-based planning for the provision of health services.

The digitisation of health systems also included the pharmaceutical management system to support medicine management processes.

What we did

In auditing the health sector over the term of the administration, our focus was on the following:

Ideal clinic initiative

We visited 27 clinics in 2022-23 and did follow-up visits at 19 of these clinics in 2023-24. In our follow-up visits, we tested whether the selected non-negotiable vital elements and the vital elements relating to infection prevention and control; medicines, medical supplies and equipment; human resources; and infrastructure that had not been in place in 2022-23, were present and optimally functioning.

Ideal hospital initiative

We visited 20 district hospitals in 2023-24 to determine whether selected non-negotiable vital, vital and essential elements relating to infection prevention and control; medicines, medical supplies and equipment; human resources; and infrastructure were present and optimally functioning at their accident and emergency units and operating theatre units.

Our performance audit specialists (which included medical experts) visited these clinics and hospitals.

Central Chronic Medication Dispensing and Distribution Programme

We audited the reliability of the achievement reported by the national department on the number of parcels delivered to pick-up-points. We also used data analytics to calculate the number of packages returned from pick-up-points to warehouses (and thus not collected by patients).

Modernisation of health information systems

Our experts in information systems assessed the progress made at the national department in implementing the National Digital Health Strategy, as well as the implementation and utilisation of the health patient registration system. We also assessed the implementation and utilisation of the pharmaceutical management system and tested the information technology infrastructure and network connectivity at 19 district hospitals.

The work we did on infrastructure projects in the health sector, along with the results of that work, is covered in section 3.1.

What we found

Ideal clinic and hospital initiatives

Based on information from the annual reports of departments and the ideal clinic monitoring system, the MTSF target of 100% of clinics achieving ideal clinic status was not achieved by 31 March 2024.

Our follow-up visits to 19 clinics determined that 18 of them had made some improvements based on our previous recommendations. However, weaknesses remained in all four of the components we focused on.

Most common findings from follow-up audit of clinics (including impact)

Finding	Prevalence
Absence of hand-hygiene facilities	11 clinics across 6 provinces
Non-adherence to cleaning schedules	3 clinics across 3 provinces
This could have a negative effect on infection prevention and control and could expose staff to infectious elements in the working environment.	
Poor stock control and management of medicines and medical supplies	15 clinics across 9 provinces
Emergency trollies not restored daily or after each use	7 clinics across 6 provinces
Poor stock control and management increases the risk of over-ordering stock, expired stock, or stockouts or shortages of fast-moving stock. If emergency trollies are not stocked with the medicines, medical supplies and equipment needed for resuscitation, this could compromise the preparedness of clinics to respond to emergencies and prevent staff from performing life-saving procedures.	
Some medical equipment not available and/or functional	6 clinics across 4 provinces
The non-availability of functional equipment may negatively affect the quality of healthcare provided and increase waiting times.	
Insufficient staff due to staffing needs not determined in line with workload requirements	13 clinics across 6 provinces
Vacancies	17 clinics across 9 provinces
Staff shortages have a negative effect on staff morale, patient waiting times, quality of healthcare, patients' experience of healthcare and stock management.	
Infrastructure challenges, including lack of maintenance	12 clinics across 6 provinces
Non-adherence to safety regulations	15 clinics across 8 provinces
No backup electrical supply	9 clinics across 5 provinces
The lack of maintenance may lead to infrastructural issues not being identified and addressed in a timely manner; unattended infrastructural issues could pose safety risks.	

Based on information from the ideal hospital monitoring system, a very small number of district hospitals had achieved ideal hospital status by 31 March 2024.

As with the clinics, we identified weaknesses in all four of the components we focused on during our hospital visits.

Most common findings on accident and emergency units and operating theatre units at hospitals (including impact)

Finding	Prevalence
Absence of some hand-hygiene facilities	11 hospitals across 6 provinces
Non-adherence to cleaning schedules	7 hospitals across 5 provinces
This could have a negative effect on infection prevention and control and could expose staff to infectious elements in the working environment.	
Poor stock control and management of medicines and medical supplies	19 hospitals across 9 provinces
Poor stock control and management increases the risk of over-ordering stock, expired stock, or stockouts or shortages of fast-moving stock.	
Medical supplies and equipment for resuscitation not available	13 hospitals across 7 provinces
Emergency trollies not restored daily or after each use	14 hospitals across 8 provinces
The non-availability of medicine, medical supplies and equipment may negatively affect the management of patients and in emergencies prevent staff from performing life-saving procedures.	
Insufficient staff at hospitals to provide required healthcare services	17 hospitals across 9 provinces
Staff shortages have a negative effect on staff morale, patient waiting times, quality of healthcare, patients' experience of healthcare and stock management.	
Infrastructure challenges, including non-compliance with safety requirements, maintenance issues and inefficiencies in emergency preparedness	16 hospitals across 8 provinces
Unattended infrastructural issues pose safety risks.	

The weaknesses observed at clinics and hospitals were due to the following:

- Inadequate monitoring by management to ensure that hospitals and clinics adhered to requirements and were functioning optimally.
- Lapses in contract management led to basic medical supplies not being delivered.
- District and sub-district offices did not develop and implement maintenance schedules for the clinics, and thus repairs and maintenance were not attended to in a timely manner.
- Provincial departments did not fill vacant posts due to budget constraints.
- Safety hazards were not prioritised and included in hospitals' maintenance plans for replacement or repairs.

A shortage of healthcare workers can cause likely substantial harm to a public sector institution, and we raised one material irregularity because of this.

Substantial harm to public sector institution

During 2022-23, the **Mpumalanga Department of Health** did not achieve the key performance indicators and targets related to its primary mandate due to shortages of healthcare staff. The slow progress in filling vacancies over the past five years negatively affected patients who needed surgical procedures but face increased waiting time before they were assisted. We notified the accounting officer of the material irregularity in March 2024. The accounting officer did not take appropriate action to resolve the material irregularity, and we included recommendations in the audit report, which should be implemented by February 2025.

Central Chronic Medication Dispensing and Distribution Programme

The national department reported that it had successfully rolled out the programme and delivered nine million parcels in 2023-24 – nearly double its planned target of five million parcels.

There was a good uptake on the programme, as shown by the 94% of parcels delivered to pick-up points being collected by patients. This resulted in shorter queues at health facilities and reduced waiting time, travel time and cost for patients receiving their chronic medication closer to their homes.

We did not identify any shortcomings in the delivery of parcels to pick-up-points or in the return of unclaimed parcels from pick-up-points to warehouses.

Modernisation of health information systems

The information and communication technology landscape in the health sector is fragmented due to the uncoordinated delivery of IT initiatives across the sector. The implementation of the National Digital Health Strategy, which was meant to address this gap, has been delayed. The national department did not develop an implementation plan to provide alignment to the strategy, guide implementation and standardise technologies within the sector, which contributed to the delay.

Value was also not always derived from technological investment within the sector, as systems procured or developed to address inefficiencies or achieve organisational objectives were not properly managed, and roles and responsibilities were not clearly defined between the national and provincial departments to enable proper delivery and support.

In 2013, the national department embarked on a project to develop and implement the health **patient registration system** as a prerequisite for the development of electronic patient health records. The system is a critical component of the shared infrastructure required to enable the interoperability of health systems.

Progress has been made with the implementation of the system, but the use of the system at clinics and hospitals is often hindered by synching and connectivity issues. To compensate for the unavailability of the system, manual registers were kept with plans to update the system when it was online again, leading to discrepancies between patients registered on the system and those who visited the facility. The system does not interface with the existing patient-based systems, hampering the seamless and timely transfer of information on, for example, medicines dispensed.

The digitisation of health systems also included the **pharmaceutical management system** to support medicine management processes. Although the system includes a dispensing module, we reported that this module was not being used to dispense medicines to patients at some of the facilities we visited, where maintaining manual records was preferred. This increases the risk of human error and results in poor stock management controls as well as a lack of real-time stock reporting on medicines, consequently hampering the digitisation and system interoperability initiatives as per the digital health strategy.

Shortcomings observed in the information systems of the health sector were due to the following:

- Service providers for IT projects were not adequately supervised and monitored, despite facilities' dependence on them.
- Governance structures and processes were not in place to ensure alignment and to drive the implementation of the National Digital Health Strategy, oversee IT investments and the rollout of IT projects, the use of effective contract management practices, and the implementation of IT general controls.
- Needs analysis and/or functional requirements were not adequately considered when acquiring and developing systems.

Conclusion

Equipping and capacitating all the hospitals and primary healthcare facilities in South Africa to deliver quality healthcare services are essential for the country's journey towards reaching universal healthcare coverage, specifically reaching a point where everyone has access to an equal standard of healthcare, regardless of their income, by 2030.

4.2 BASIC EDUCATION SECTOR

Overall audit outcomes **improved** over administration

2023-24 1 | 5 | 4

Movement from 2018-19 3 ▲ 2 ▼

Improved	Gauteng Department of Education National Department of Basic Education	Northern Cape Department of Education
Regressed	KwaZulu-Natal Department of Education	North West Department of Education
Unchanged	Free State Department of Education Mpumalanga Department of Education Western Cape Department of Education	Eastern Cape Department of Education Limpopo Department of Education

Unqualified financial statements

60% (6) 2018-19: 60% (6) ▶

Auditees submitted financial statements without material misstatements for auditing

70% (7) 2018-19: 30% (3) ▲

No material findings on performance reports

10% (1) 2018-19: 10% (1) ▶

No material findings on reliability

30% (3) 2018-19: 20% (2) ▲

No material findings on usefulness

20% (2) 2018-19: 30% (3) ▼

No material findings on compliance

20% (2) 2018-19: 10% (1) ▲

Most common finding areas at departments

Unauthorised, irregular, and fruitless and wasteful expenditure	70% (7)
Consequence management	70% (7)
Strategic planning and performance management	70% (7)

Unauthorised and fruitless and wasteful expenditure

Unauthorised expenditure incurred over 5 years

R4,22bn

Top three contributors over 5 years

Education (Eastern Cape)	R2,21bn
Education (KwaZulu-Natal)	R1,03bn
Education (Free State)	R0,59bn

Fruitless and wasteful expenditure incurred over 5 years

R0,57bn

Top three contributors over 5 years

Department of Basic Education	R0,25bn
Education (Eastern Cape)	R0,07bn
Education (Free State)	R0,06bn

Financial health indicators

	2023-24
Deficit (expenditure exceeded revenue)	R6,35bn (7)
Claims against departments	R4,86bn (10)

Irregular expenditure

Incurred over 5 years

R24,19bn

Closing balance 2023-24

R30,80bn

Top three contributors over 5 years

Department of Basic Education	R6,89bn
Education (Limpopo)	R4,01bn
Education (KwaZulu-Natal)	R3,62bn

Compliance with procurement and contract management legislation

Auditees with no material or non-material findings on compliance with procurement and contract management legislation

0% (0) 2018-19: 0% (0) ▶

Most common findings at departments

Prospective suppliers not given at least minimum number of days as per supply chain management policy to respond to request for quotation	50% (5)
Supplier scoring highest points / with lowest quotation not selected – no justification	40% (4)
Contracts amended or extended without approval by delegated official	40% (4)

Material irregularities

36 Material **financial loss**

Estimated **R0,52bn**

1 **Misuse** of material public resource due to under-utilisation

3 Substantial **harm to public sector institutions**

Unqualified with no findings (clean) | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audits

▲ Improved ▶ Unchanged ▼ Regressed

Performance reporting

As is the case in the health sector, credible performance reports are important for the basic education sector to enable smart planning and effective progress tracking to ensure that all children in South Africa receive quality education and ample learning opportunities.

In 2023-24, we reported material findings in the performance reports of nine departments (90%) in the basic education sector. Only the Gauteng Department of Education did not have material findings on its performance report. Material findings on the usefulness of performance reports remained high at eight departments (80%), while we reported material findings on reliability at seven departments (70%).

Only the Gauteng, Mpumalanga and Limpopo departments included all indicators that measure their contribution to the MTSF, their core functions and the roles they were established to fulfil. The main reasons why these indicators were not included at the other six provincial departments and the national department were inadequate systems and processes to reliably measure performance, and the departments opting to plan and report 'off the books' to avoid findings and scrutiny.

This weakens the accountability processes because those that need to monitor and make decisions about key education deliverables are not working with complete and reliable (audited) information.

Examples follow of performance indicators that were not reliable and MTSF indicators that were not included in performance plans.

Reported achievements not reliable
(Evidence contradicted achievement / lack of evidence to support reported achievement)

Indicator	Province	Target	Reported achievement
Percentage of learners with access to required English first additional language textbooks in grades 6 and 9	Limpopo	60%	73,5%
Percentage of learners with English first additional language and mathematics textbooks in grades 3, 6, 9 and 12	Eastern Cape	80%	95,11%
Percentage of grade 1 learners who have received formal grade R education	Western Cape	60%	78%
Number of public schools provided with water infrastructure	Limpopo	30	136
Number of public schools supplied with sanitation facilities	KwaZulu-Natal	300	301

Evidence contradicted achievement / lack of evidence to support reported achievement (continued)

Indicator	Province	Target	Reported achievement
Number of schools where scheduled maintenance projects were completed	KwaZulu-Natal	600	600
Number of learners in no-fee public ordinary schools in line with National Norms and Standards for School Funding	North West	734 436	743 076
Number of teachers trained in mathematics content and methodology	Western Cape	300	343

Key MTSF indicators excluded from performance plans

Outcomes, indicators and targets	Province
MTSF outcome: Youth better prepared for further studies and the world of work beyond grade 9	
Indicator: Number of districts in which teacher development has been conducted as per district improvement plan **Target:** All districts by 2024	KwaZulu-Natal Northern Cape North West
MTSF outcome: Improved school readiness of children	
Indicator: Develop new funding models for early childhood development delivery **Target:** Approved funding model by March 2023	Eastern Cape KwaZulu-Natal Northern Cape
Indicator: School readiness assessment system **Target:** System operational by March 2023	Eastern Cape KwaZulu-Natal
MTSF outcome: School physical infrastructure and environment that inspire learners to learn and teachers to teach	
Indicator: Schools with access to information and communication technology devices **Target:** All provinces meet their targets for information and communication technology devices including tablets	KwaZulu-Natal Northern Cape

Key MTSF indicators excluded from performance plans *(continued)*

Outcomes, indicators and targets	Province
MTSF outcome: 10-year-old learners enrolled in publicly funded schools read for meaning	
Indicator: National reading plan for primary schools implemented **Target:** All provinces implementing national reading plan	KwaZulu-Natal North West Western Cape
Indicator: Lesson plans for home language literacy in grades 1–3 developed in all languages **Target:** All languages have grade 1–3 home language literacy lesson plans	Eastern Cape KwaZulu-Natal Northern Cape North West Western Cape
Indicator: Availability of reading material for grade 3 learners in indigenous languages **Target:** 100% of grade 3 learners who learn through indigenous languages have graded reading books	KwaZulu-Natal Northern Cape Western Cape
Indicator: All schools implement early grade reading assessment to support reading at required level by grade 3 **Target:** 100% of schools have received early grade reading assessment tools	Eastern Cape KwaZulu-Natal Western Cape
Indicator: Coding and robotics curriculum implemented **Target:** Approved coding and robotics curriculum in place by 2022	Eastern Cape KwaZulu-Natal
MTSF outcome: Equal opportunities, inclusion and redress	
Indicator: Number of schools offering previously marginalised official African language **Target:** 2 584 schools to offer previously marginalised official African languages by 2024	North West Western Cape

Education programmes

The NDP aspires to all South Africans having access to education and training of the highest quality by 2030, leading to significantly improved learning outcomes. The performance of South African learners in international standardised tests should be comparable to the performance of learners from countries at a similar level of development and with similar levels of access. This is to ensure inclusive, equitable and quality education and to promote lifelong learning opportunities for all, in line with SDG 4.

In auditing the basic education sector over the administrative term, our focus was on the programmes for early childhood development (in particular, curriculum implementation), school nutrition and learner transport – all of which are fundamental to achieving the NDP outcomes.

Early childhood development is a policy priority highlighted in the NDP as critical in laying a strong foundation for breaking the cycle of inequality and poverty.

Curriculum delivery, monitoring and support is the primary vehicle for ensuring quality curriculum delivery and improved learner and school performance.

The **National School Nutrition Programme** (NSNP) aims to provide nutritious meals to all quintile 1–3 schools as well as selected quintile 4 and 5 schools accommodating learners from disadvantaged communities (the quintile system determines how much government funding each school gets, with quintile 1 schools being in the most disadvantaged areas). The programme aims to improve both the levels of school attendance and the learning capacity of children. This should, in turn, level the playing field for learners from poor socioeconomic backgrounds in terms of access to education. Learners should receive their meals in a clean environment, at the specified time and under close supervision.

The **National Learner Transport Programme** aims to enhance access to high-quality education by delivering safe, reliable and efficient scholar transport to ensure access to basic education. In rural areas, the lack of reliable transportation can make it difficult for learners to access education facilities.

What we did

Over the administrative term, our audits of the performance plans and reports in the basic education sector provided us with insights into the achievement of set targets for the programmes. We also visited schools to observe the practical implementation of the programmes, with 2023-24 being the first year of testing curriculum implementation through school visits. Our performance audit specialists (which included education specialists) visited these schools.

In 2023-24, we visited 90 schools from 18 educational districts spread across all nine provinces (10 schools per province), where we:

- evaluated measures for monitoring and supporting schools to effectively implement the mathematics curriculum for grades R, 5, 9 and 11
- followed up on whether schools have put measures in place to effectively and efficiently implement the NSNP
- followed up on whether progress had been made to address the shortcomings in learner transport we had highlighted in the previous year.

What we found

Curriculum implementation – mathematics for grades R, 5, 9 and 11

Mathematics forms the foundation for a wide range of skills that learners need for their academic, professional and personal lives, and encourages learners to think critically and logically. Strengthening the monitoring of and support to schools to effectively implement curriculum delivery of mathematics is essential to improve school performance and learning outcomes.

We identified weaknesses at schools in all provinces. Below we provide conclusions from the audits and list our most common findings.

Ineffective identification of challenges affecting underperforming learners and lack of support interventions

Schools did not identify reasons for underperformance of progressed mathematics learners so that mathematics teachers could provide support through differentiated teaching. Learning barriers were also not appropriately addressed by schools, education districts, the national department or provincial departments.

Most common findings

Finding	Prevalence
Learners not provided with adequate support to improve their mathematics performance and no evidence of remedial action for challenges experienced	59 schools across 7 provinces
Ineffective identification and assessment of learning barriers for underperforming learners and inadequate development of support interventions	26 schools across 4 provinces
No implemented measures to guide education districts to identify and support schools with high numbers of underperforming mathematics learners	Education districts across 5 provinces
Grade R infrastructure and facilities not complying with prescribed minimum standards	8 schools across 4 provinces

Inadequate and ineffective curriculum delivery, monitoring, support and reporting

Teachers did not cover topics as per the annual teaching plans, and school department heads did not effectively monitor curriculum delivery to identify challenges affecting teachers and to implement corrective action to address identified challenges.

Most common findings

Finding	Prevalence
Teachers behind with curriculum coverage	36 schools across 8 provinces
Curriculum monitoring tools not implemented effectively	36 schools across 6 provinces
Shortages of mathematics textbooks	50 schools across 7 provinces
District monitoring tools not used effectively to guide and support school management teams	Education districts across 4 provinces

Ineffective implementation of teacher utilisation, development and management processes

Schools used teachers that did not have a mathematics subject qualification to teach mathematics, and some schools appointed department heads without mathematics subject qualifications to oversee and support mathematics teachers.

Most common findings

Finding	Prevalence
Education districts and circuit managers not effectively monitoring teacher utilisation	Education districts across 7 provinces
Department heads for mathematics did not have mathematics subject qualification	16 schools across 5 provinces
Teachers teaching mathematics without relevant subject qualifications	12 schools across 4 provinces
Training needs for mathematics teachers not identified	79 schools across 8 provinces
Overcrowding experienced considering a teacher-learner ratio of 1:40	52 schools across 7 provinces
Grade R practitioners employed with no recommended minimum qualification	3 schools across 3 provinces
Practitioner-to-learner ratio above the accepted norm of 1:30	7 schools across 3 provinces

Mathematics department heads who are not suitably qualified may not be able to provide the required support to teachers experiencing teaching challenges of mathematics content, while teachers not having a suitable qualification increases the risk that the subject matter may not be effectively conveyed to learners.

Schools that do not perform training needs analyses may not identify gaps in teacher knowledge and skills to help them address these gaps. Learners move from one grade to another without the content gap being adequately addressed as some of these learners still underperformed.

Ineffective use of basic annual management processes

School management teams did not effectively conduct school self-evaluations, school improvement plans and quarterly monitoring to ensure that challenges in mathematics curriculum implementation were identified and addressed timeously, as per the basic annual management processes.

Most common findings

Finding	Prevalence
Reasons for underperformance not included in annual management documents for intervention	26 schools across 3 provinces
School self-evaluations, school improvement plans and annual academic performance reports submitted for auditing did not fully reflect actual challenges faced	38 schools across 4 provinces
Annual management processes not adequately used to identify and address challenges related to underperformance in mathematics	57 schools across 6 provinces

Inadequate collaboration of school stakeholders on school and learner performance

Schools did not effectively facilitate engagements among school governing bodies, parents and communities to ensure that they collaborate to improve schools' and learners' performance, as per the school-parent-community collaboration framework.

Most common findings

Finding	Prevalence
Challenges affecting learner performance in mathematics not clearly articulated in school governing body reports and engagements records, including minutes	66 schools across 8 provinces
Challenges affecting learner performance in mathematics not clearly articulated in school management team reports and engagements records	49 schools across 6 provinces
Inadequate processes to engage parents and community on learner performance in mathematics	53 schools across 7 provinces
School management teams did not involve parents in learner performance, including how to improve learner performance and how parents can assist	34 schools across 4 provinces

The weaknesses observed in curriculum implementation were due to the following:

- Schools use teachers that are not qualified to teach mathematics because there are not enough qualified mathematics teachers available. The teacher-to-learner ratio is also more than the norm of 1:40, resulting in teachers not having enough time to teach and mark each learner's workbook.
- Teachers do not conduct baseline assessments at the beginning of the year to identify learners' content gaps and then customise their lesson plans to address such gaps. The timelines in the annual teaching plans are arranged so that teaching occurs up to the last day of the school term without factoring in days for assessing learners and marking learners' assessments.
- Provincial education departments and education districts do not use formalised processes and mechanisms to identify schools at risk of not effectively implementing the curriculum so that they can provide targeted monitoring and support to improve curriculum delivery.
- Principals and school governing bodies do not properly and proactively manage risks. Principals do not effectively carry out their responsibilities to ensure that school management teams review, monitor and support teachers so that they can effectively implement curriculum delivery.
- District officials do not effectively collaborate to address the persistent underperformance of learners and guide the school-based support teams to use the national policy on screening, identification, assessment and support. There are also no documented monitoring and oversight processes in place at the education districts and provincial education departments for collaboration initiatives affecting schools.
- School management teams do not ensure that school governing bodies and all education staff conduct school self-evaluations, develop improvement plans, and monitor the plans on a quarterly basis.

National School Nutrition Programme

We identified various deficiencies in the management and delivery of school nutrition. Below we provide conclusions from the audits and list our most common findings.

Schools not effectively implementing NSNP to ensure that learners benefit from nutritious and healthy meals

Finding	Prevalence
Learners not served meals in classes and not provided with plates and utensils	10 schools in 3 provinces
Learners not served meals by 10:00	10 schools in 2 provinces
Non-compliance with contents of recommended menu	18 schools in 5 provinces
Inadequate training of food handlers, programme coordinators, school governing bodies and school management teams	14 schools in 5 provinces

Schools not adhering to hygiene and safety regulations

Finding	Prevalence
Kitchen and/or storeroom not adequately ventilated, resulting in food contamination	4 schools in 3 provinces
Non-compliance with health and safety standards as there was no certificate of compliance for using gas in kitchens	30 schools in 5 provinces
Food prepared in unhygienic kitchens	10 schools in 5 provinces

Non-compliance with procurement policy and poor management of conditional grant spending

Finding	Prevalence
Service providers not appointed according to approved procurement policy	7 schools in 3 provinces
Inadequate monitoring of conditional grant spending by schools, districts and provincial departments	18 schools in 3 provinces

The deficiencies identified resulted in learners not benefiting from nutritious and healthy meals and the health of learners being compromised. The weaknesses observed were due to the following:

- Training is not provided to coordinators, committees and food handlers.
- School governing bodies and school management teams do not adequately monitor school nutrition.
- There is inadequate oversight by school management teams and school governing bodies to ensure that proper procurement processes are followed.

Where deficiencies in the sector's NSNP caused likely substantial harm to the public, we raised material irregularities.

School nutrition weaknesses resulting in harm to learners

- Between 2021-22 and 2023-24, the **North West Department of Education** did not adhere to the health requirements at school premises for food that form part of the grant conditions for the NSNP. These requirements include maintaining hygienic preparation, storage and equipment, and providing balanced and healthy meals to learners. We notified the accounting officer of a material irregularity in December 2023. The accounting officer developed a monitoring plan in April 2024 with monthly targets to ensure that each school is visited and supported at least twice a year to prevent a recurrence of the non-compliance. However, the plan did not cover all relevant areas and the investigation had not been completed to determine the root cause of the non-compliance and identify responsible officials. We then included recommendations in the audit report for the accounting officer to investigate the non-compliance, identify the responsible officials, institute disciplinary action, and implement an effective plan to prevent further non-compliance. These recommendations should be implemented by January 2025.

- During April 2023, the **KwaZulu-Natal Department of Education** did not provide meals to learners at several schools through the NSNP. We notified the accounting officer of a material irregularity in September 2023. In early October 2023, the accounting officer sent a letter disputing the material irregularity. We then held several engagements with the accounting officer and the member of the executive council for education until consensus was reached in April 2024. In May 2024, the accounting officer initiated the process of appointing a service provider to investigate the matter. Further action is being taken to fully resolve the material irregularity.

Learner transport

The sector did not respond adequately to our prior-year recommendations and we identified recurring deficiencies during our follow-up audits. Below we provide conclusions from the audits and list our most common findings.

No proper needs assessment performed to determine whether eligible learners benefit from transport programme

Finding	Prevalence
No proper needs analysis to ensure that only eligible learners benefit from programme and travel more than 5 kilometres from home to school; and that all eligible learners benefit from programme	15 schools across 3 provinces
No specific person assigned to monitor learner transport	41 schools across 7 provinces
Learners using transport not consistently monitored in morning and afternoon to ensure that only eligible learners use the service	60 schools across 9 provinces
Where monitors were appointed, their responsibilities were not clearly defined	59 schools in 8 provinces

Provision of scholar transport not properly monitored
(Unroadworthy vehicles, overcrowding/overloading, claims overstated)

Finding	Prevalence
Monitoring documents not reviewed or signed daily to verify number of learners and kilometres travelled	29 schools in 4 provinces
Vehicles used not in workable condition and not serviced regularly and/or no service records kept to confirm service history of vehicles	43 schools in 6 provinces
Overloaded and unroadworthy vehicles used for learner transport	22 schools in 6 provinces

The deficiencies identified compromised the safety of learners and restricted their access to education. The weaknesses observed were due to the following:

- There is a lack of effective monitoring, as monitors are either not appointed or, if appointed, fail to carry out their duties.
- There is inadequate oversight by school management to ensure that service providers deliver the required services.

Conclusion

The basic education sector has policies and guidelines for improving school performance, and some schools are making progress in implementing the curriculum. Accounting officers have responded appropriately to the material irregularities raised on the NSNP. At some schools, previously identified deficiencies in both the school nutrition and learner transport programmes have been adequately addressed, although more still needs to be done.

4.3 WATER AND SANITATION SECTOR

Overall audit outcomes **improved** over administration

2023-24	3	Department of Water and Sanitation Trans-Caledon Tunnel Authority and Water Trading Entity
2022-23	8	Water boards

Movement from 2018-19: 2 improved, 0 regressed

Improved
- Trans-Caledon Tunnel Authority
- Water Trading Entity

Unchanged
- Amatola Water Board
- Bloem Water Board
- Department of Water and Sanitation
- Lepelle Northern Water Board
- Magalies Water Board
- Mhlathuze Water Board
- Overberg Water Board
- Rand Water Board
- uMngeni-uThukela Water

Unqualified financial statements

100% (11) 2018-19: 82% (9) — Improved

Auditees submitted financial statements without material misstatements for auditing

27% (3) 2018-19: 27% (3) — Unchanged

No material findings on performance reports

73% (8) 2018-19: 64% (7) — Improved

No material findings on reliability

73% (8) 2018-19: 73% (8) — Unchanged

No material findings on usefulness

100% (11) 2018-19: 64% (7) — Improved

No material findings on compliance

0% (0) 2018-19: 0% (0) — Unchanged

Most common finding areas at auditees

Material misstatement or limitations in submitted financial statements	73% (8)
Consequence management	45% (5)
Procurement management	36% (4)
Unauthorised, irregular, and fruitless and wasteful expenditure	36% (4)

Fruitless and wasteful expenditure

Incurred over 5 years

R1,66bn

Top three contributors over 5 years

Water Trading Entity	R1,03bn
Bloem Water Board	R0,26bn
Rand Water Board	R0,17bn

Financial health indicators

	2023-24
Going concern issues/ uncertainty	1
Deficit (expenditure exceeded revenue)	R0,21bn (2)
Average debt-collection period	162 days

Compliance with procurement and contract management legislation

Auditees with no material or non-material findings on compliance with procurement and contract management legislation

18% (2) 2018-19: 0% (0) — Improved

Most common findings at auditees

Preference point system not applied	27% (3)
Three written quotations not obtained – approved deviation not reasonable/justified	27% (3)

Irregular expenditure

Incurred over 5 years

R11,42bn

Closing balance 2023-24

R14,54bn

Top three contributors over 5 years

Rand Water Board	R5,08bn
uMngeni-uThukela Water	R2,33bn
Water Trading Entity	R1,32bn

Material irregularities

14

Material **financial loss**

Estimated **R0,59bn**

2

Substantial **harm to public sector institutions**

Unqualified with no findings (clean) | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audits

Improved | Unchanged | Regressed

Insights

The NDP envisages that by 2030 all South Africans will have affordable access to enough safe water and hygienic sanitation to live healthy and dignified lives. Access to clean and reliable water remains a concern in many parts of South Africa, particularly in rural areas and informal settlements.

The **Department of Water and Sanitation** is the custodian of the country's water resources and is primarily responsible for formulating and implementing policy that governs the sector. It is also responsible for overseeing the establishment of water boards.

Water boards are key contributors to the water delivery value chain. Their main responsibility is to sanitise raw water supplied by the Water Trading Entity and to supply clean water to those municipalities responsible for ensuring access to water services (water service authorities). Water service authorities purchase the water in bulk from the water boards and then take responsibility for the infrastructure and processes necessary to supply water to their end-users, including residents, industries and farmers.

The water boards have a different financial year-end date (30 June) to the other national and provincial auditees on which we report (31 March). Due to the different year-ends, the overall status and insights on the sector in this report are based on the 2023-24 audit outcomes of the Department of Water and Sanitation, Trans-Caledon Tunnel Authority and Water Trading Entity, and the 2022-23 outcomes of eight water boards.

Overall, the audit outcomes of the water and sanitation sector have improved since 2018-19. All auditees obtained unqualified audit opinions on the financial statements – of which nine (the department, its two entities and six water boards) obtained this by addressing the material misstatements we identified in the financial statements submitted for auditing.

The controls and disciplines necessary for credible financial reporting had not been established in the portfolio. This lack of institutional capacity was also evident in performance reporting. Seven of the water boards submitted performance reports with material misstatements for auditing, of which only four were able to correct the errors we identified.

We raised material findings on compliance with legislation at all auditees. The high levels of non-compliance in the areas of consequence management and procurement and contract management are of particular concern in a portfolio dependent on suppliers for delivery on projects and operations.

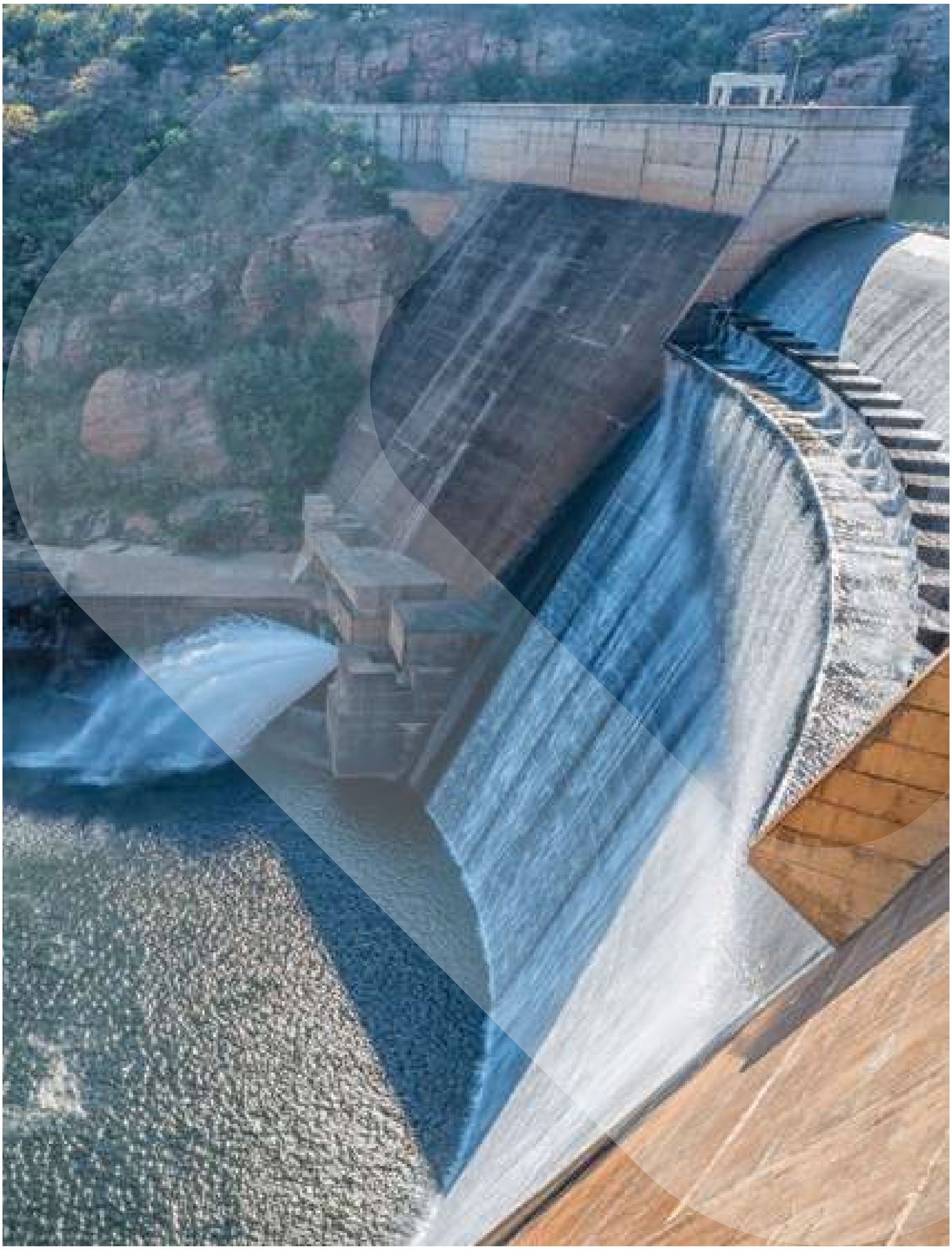
The financial health of the water boards remained constrained, mainly due to challenges with collecting debt from municipalities. Water boards that could not collect cash on time were often also unable to pay their suppliers on time. Water boards are actively pursuing these debts through various settlement agreements. A coordinated effort across all three spheres of government must be sought to address the financial health issues of local government, which are negatively affecting the sustainability of water boards.

The poor quality of spend in the sector is evident from the high levels of fruitless and wasteful expenditure and the 14 material irregularities we raised on financial losses.

Every day, South Africans experience the impact of delays in the delivery of infrastructure projects and inadequate maintenance of infrastructure (as detailed in section 3.1), as well as the non-achievement of targets in the sector. The impact of these weaknesses is evident in the two material irregularities we issued on a lack of maintenance and delays in completing a key project related to water provisioning that resulted in harm to the public.

In 2022-23, four water boards (Amatola, Bloem, Lepelle and Mhlathuze) reported performance achievements below 80% against planned targets. Some of the targets not achieved related to water quality, a reduction in water losses, the reliability of supply, and increased access to services.

The water boards must continue to closely monitor financial management and debt recovery processes to improve financial viability and enhance service delivery through proper planning and consistent monitoring. The department, Trans-Caledon Tunnel Authority and Water Trading Entity must enhance project management processes and capacity to ensure that bulk water projects are delivered on time and within budget.



4.4 STATE-OWNED ENTERPRISES

Overall audit outcomes **improved** over administration

2023-24 3 | 13 | 14

Outcomes of SOEs we audit (including subsidiaries)

Movement from 2018-19: 8 improved, 0 regressed

Improved
- Development Bank of Southern Africa
- Komatiland Forests
- NTP Radioisotopes
- Pelchem
- South African Broadcasting Corporation
- South African Nuclear Energy Corporation
- Trans-Caledon Tunnel Authority
- Transnet

Unchanged
- African Exploration Mining and Finance Corporation
- Airports Company South Africa
- Armaments Corporation of South Africa
- Central Energy Fund
- Gammatec NDT Supplies
- Petroleum Agency of South Africa
- Petroleum Oil and Gas Corporation
- Strategic Fuel Fund Association

Outstanding (Last available audit outcome is shown)
- Land Bank Insurance
- Land Bank Life Insurance
- Land and Agricultural Bank of South Africa
- South African Forestry Company
- Independent Development Trust
- Air Chefs
- Alexkor
- Denel
- Denel Vehicles Systems
- Mango Airlines
- Postbank
- SAA Technical
- South African Airways
- South African Post Office

Unqualified financial statements

53% (16) 2018-19: 33% (10)

Auditees submitted financial statements without material misstatements for auditing

31% (5) 2018-19: 31% (5)

No material findings on performance reports*

67% (10) 2018-19: 60% (9)

No material findings on reliability

80% (12) 2018-19: 67% (10)

No material findings on usefulness

80% (12) 2018-19: 67% (10)

*Excludes Komatiland Forests not required to report on performance

No material findings on compliance

19% (3) 2018-19: 0% (0)

Most common finding areas at auditees

Material misstatement or limitations in submitted financial statements	69% (11)
Irregular, and fruitless and wasteful expenditure	31% (5)
Consequence management	31% (5)
Procurement management	31% (5)

Fruitless and wasteful expenditure

Incurred over 5 years

R2,13bn

Top three contributors over 5 years

Transnet	R0,74bn
South African Post Office	R0,59bn
Postbank	R0,14bn

Financial health indicators

	2023-24
Going concern issues/ uncertainty	4
Deficit (expenditure exceeded revenue)	R9,23bn (5)
Average debt-collection period	76 days

Compliance with procurement and contract management legislation

Auditees with no material or non-material findings on compliance with procurement and contract management legislation

19% (3) 2018-19: 33% (5)

Most common findings at auditees

Competitive bids not invited – approved deviation not reasonable/justifiable	25% (4)
Goods/services not procured through fair, equitable, transparent and competitive process/system	25% (4)
Preference point system not applied	19% (3)

Irregular expenditure

Incurred over 5 years	Closing balance 2023-24
R70,14bn	**R164,91bn**

Top three contributors over 5 years

Transnet	R39,70bn
South African Airways	R18,20bn
Strategic Fuel Fund Association	R2,37bn

Material irregularities

15

Material financial loss

Estimated **R0,49bn**

Unqualified with no findings (clean) | Unqualified with findings | Qualified with findings | Adverse with findings | Disclaimed with findings | Outstanding audits

Improved | Unchanged | Regressed

Insights

We audit 15 SOEs listed as major public entities in schedule 2 of the Public Finance Management Act, as well as 15 of their subsidiaries. Private sector auditors audit four SOEs (Air Traffic and Navigation Services Company, Broadband Infraco, Eskom and Industrial Development Corporation) in accordance with section 4(3) of the Public Audit Act.

It is difficult to provide insight on the 2023-24 audit outcomes and the movement over the administrative term for SOEs, as the audits of 14 had not been completed by the cut-off date for inclusion in this report. Most of the SOEs with outstanding audits are also those that had the worst audit outcomes in prior years, as shown on the previous page.

In section 2.2, we provide information on the SOEs that repeatedly did not submit their financial statements or submitted them late over the administrative term. These were auditees in the South African Airways, Denel and Landbank groups, as well as Alexkor, the South African Post Office and Postbank. Such lapses in governance negatively affect the accountability processes.

The status of the 2023-24 audit outcomes of the SOEs audited by private sector auditors is as follows:

- Eskom and Broadband Infraco – the audits were not completed by the cut-off date due to delays experienced during the audit process
- Air Traffic and Navigation Services Company improved its outcome over the administrative term to a clean audit
- Industrial Development Corporation of South Africa retained its financially unqualified audit opinion with findings

The late submissions and poor quality of financial statements and performance reports submitted for auditing, the continued high levels of non-compliance with legislation and resulting irregular expenditure, and the material irregularities identified at SOEs, indicate continued shortcomings in governance and controls.

SOEs have a developmental mandate and, at the same time, need to remain commercially viable to ensure that they can sustain themselves without having to rely on government guarantees. However, SOEs are in serious financial difficulty and face liquidity challenges, which have halted operations and prevent them from paying their debts and obligations as they fall due. Both problems stem from the slow and ineffective implementation of turnaround plans.

Ailing SOEs place further pressure on government by needing bailouts and through potential future obligations because of guarantees. Based on the audited 2022-23 financial statements of the National Revenue Fund, these entities have been provided with financial guarantees of R470,3 billion over several years, and the total government exposure relating to these guarantees is R433 billion (exposure means that the entities have used the guarantees to obtain loans from lenders). Eskom remains the single biggest financial risk to the National Revenue Fund, accounting for over 86% of government exposure relating to guarantees to SOEs.

In addition to financial guarantees, government also provides state institutions with bailouts, which are financial assistance or cash injections given to these entities to prevent them from collapsing. Based on the audited 2022-23 consolidated financial statements of departments, the total bailout given to state institutions is R402,2 billion.

The new administration should focus on finding sustainable solutions at those SOEs that are placing severe strain on the country's finances so that they can fulfil their mandates and make a positive contribution to South Africa and its people.

05

MATERIAL IRREGULARITIES

Material irregularity process introduced at beginning of administrative term has had a positive impact

The Public Audit Act was amended in April 2019, coinciding with the start of the 6th administration's term. The amendments gave us the mandate to identify and report on material irregularities (MIs) and to take action if accounting officers and authorities do not deal with them appropriately. The overall aim of the amendments was to promote better accountability, improve the protection of resources, enhance public sector performance and encourage an ethical culture, enable effective oversight, and – ultimately – strengthen public sector institutions to better serve the people of South Africa.

Over the past five years, we have engaged with the accountability ecosystem to capacitate them on our expanded mandate, the overall MI process, and everyone's role in that process. The key MI concepts and process (including the steps and resultant status of an MI when those steps are taken) are outlined in appendix A to increase understanding of the terminology and messages contained in this report.

Since introducing the MI process in 2019, we have expanded our work significantly in line with the phased-in approach agreed with the Standing Committee on the Auditor-General (our oversight structure). The number of auditees where we have implemented the process grew from only 16 auditees when we started in 2018-19 to covering all auditees across national and provincial government in 2023-24. Initially, we also focused on only parts of the MI definition, namely non-compliance and material financial losses. By 2020-21, we were covering the full definition and were also looking at fraud, theft and breaches of fiduciary duties.

Over the term of the 6th administration, the MI process enabled 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.

Through the MI process, we identified and highlighted for them 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.

We reported on MIs and how the accounting officer or authority is addressing or not addressing the matter in detail in the audit reports of auditees, our general and special reports, and briefings to oversight committees.

We also often escalated MIs that are not being appropriately dealt with to the responsible ministers and provincial leadership. Through these processes, executive authorities as well as Parliament and the provincial legislatures could hold accounting officers and authorities accountable for not appropriately dealing with MIs, and support them by monitoring the status of MIs, following up on delays, and overcoming the stumbling blocks in resolving MIs.

Through our transparent reporting processes, we also made information on MIs available to the public and civil society organisations.

Where accounting officers and authorities, supported by their political leadership, met their legislated responsibilities and committed to taking swift action when we notified them of an MI, we did not have to use our expanded powers. However, where they did not deal with MIs with the required seriousness, we did not hesitate to use our remedial and referral powers.

The rest of this section provides information on the number, nature and status of the MIs identified over the administrative term. It also illustrates the significant impact the MI process has had, discusses the stumbling blocks to resolving MIs, examines how we have used our expanded powers, and recommends optimising the MI process to enhance oversight.

5.1 NATURE OF MATERIAL IRREGULARITIES

From 1 April 2019 (when we started implementing the MI process) to 31 July 2024 (the cut-off date for MIs to be included in this report), we identified 292 MIs in national and provincial government – an increase from the 266 MIs we reported last year. This number excludes MIs for which specific confidentiality clauses apply in terms of the Public Audit Act.

Nature of material irregularities

256 Material **financial loss** (estimated R14,3bn)

35	Non-compliance in procurement processes resulting in **overpricing of goods and services procured or appointed supplier not delivering**
11	**Uneconomical procurement** resulting in overpricing of goods and services procured
121	Payment for **goods or services not received / of poor quality / not in line with contract** or to **ineligible beneficiaries**
5	**Assets not safeguarded resulting in loss**
25	**Inefficient use of resources** resulting in no/limited benefit derived for money spent
3	**Revenue not billed**
12	**Debt not recovered**
1	**Receipts not recorded/deposited**
27	**Payment not made in time,** resulting in interest / standing time / penalties
8	Payroll and value-added tax returns **not paid on time or incorrectly calculated** resulting in South African Revenue Service interest and penalties
6	**Suspected fraud** resulting in loss
2	**Non-compliance** resulting in penalties

10 **Misuse** of material public resource due to under-utilisation

5	**Medical facilities and equipment**
3	**Resources intended for service delivery**
1	**Office accommodation**
1	**Software licences**

19 Substantial **harm to public sector institutions**

3	Lack of proper **performance information records and systems**
10	**Non-submission of financial statements**
4	Poor **financial and performance management**
1	**Insufficient capacity**
1	Information communication and technology **risks not managed**

7 Substantial **harm to general public**

3	Schools – **weaknesses in school nutrition programme**
1	Safety and security – **ineffective management**
2	Water infrastructure – **project delays and lack of maintenance**
1	Road infrastructure – **lack of maintenance**

These MIs do not relate to complex matters, but rather to the basic disciplines and processes that should be in place at auditees to:

- procure at the best price
- pay only for what was received
- make payments on time to avoid unnecessary interest and/or penalties
- recover revenue owed to the state
- prevent fraud
- comply with legislation
- safeguard and maintain assets
- complete infrastructure projects on time, at the required quality and within budget
- report transparently and reliably on performance and finances
- manage finances with due care
- effectively and efficiently use the resources of the state to get value for the money spent and deliver intended services.

We identified the MIs through irregularities that came to our attention during our normal audit processes. As we do not audit all transactions and activities of auditees, there could be many more similar MIs in national and provincial government. We have highlighted all these areas of vulnerability for years, including in previous general and special reports.

Throughout this report, we include examples of MIs to show just how harmful their impact can be.

The MIs are spread across national and provincial government. In total, 167 (57%) of the MIs were identified in provincial government and 125 (43%) at national level.

We identified MIs at 23 of the 35 ministerial portfolios in national government. The water and sanitation portfolio had the most, followed by the communications and digital technologies and the public works and infrastructure portfolios. We identified 15 MIs at state-owned enterprises.

5.2 STATUS OF MATERIAL IRREGULARITIES

The 292 MIs identified by 31 July 2024 were at different stages in the MI process by 31 August 2024 (the cut-off date for the status of MIs to be included in this report).

Status of 292 material irregularities

140	48%	Resolved MIs
72	25%	Appropriate action being taken to resolve MIs
54	18%	Appropriate action not taken – invoked our powers
15	5%	Appropriate action not taken – decision on invoking powers in process
6	2%	Notification response received – assessment in process
5	2%	Notified and awaiting response

We are still assessing the actions being taken to address 11 of the 292 MIs, as we had only recently notified accounting officers and authorities of the MIs and their responses were not yet due, or we were still evaluating the responses to newly identified MIs. We are also assessing whether to invoke our powers for 15 MIs where appropriate action has not been taken.

This means that we have evaluated and can report on the status of 266 MIs – those that were resolved, those where appropriate action was taken, and those where appropriate action was not taken and we invoked our powers.

Resolved material irregularities

We consider an MI resolved only when all possible steps have been taken to:

- recover financial losses or remove or address any misuse or harm caused
- implement consequences against those involved
- prevent any further losses, misuse and harm.

Of the 140 resolved MIs, 79 were resolved in prior years and 61 in 2023-24. Overall, these MIs were resolved through one or a combination of the following actions (which means that the breakdown below will not add up to 140):

- 50 by preventing or recovering financial losses
- 11 by preventing further harm to the general public and public sector institutions
- Five by preventing the underutilisation of material public resources
- 64 by implementing consequences for those responsible for the irregularities
- 101 by improving internal controls to prevent the irregularities from recurring

We include examples of these resolved MIs and their impact in section 5.3.

At national level, 51 of the 125 MIs were resolved with the remainder at different stages of the MI process. The status of MIs at provincial level is included in section 7.

Status of material irregularities at national level – by ministerial portfolio

Portfolio	Total	Resolved	Unresolved	Appropriate action taken	Appropriate action not taken – decision on invoking our powers in process	Assessment in process	Notified and awaiting response	Recommendations	Referral	Referral and recommendation
Basic education	5	4	1	1	0	0	0	0	0	0
Communications	1	0	1	1	0	0	0	0	0	0
Communications and digital technologies	12	5	7	1	0	0	0	2	2	2
Cooperative governance and traditional affairs	5	5	0	0	0	0	0	0	0	0
Defence and military veterans	10	3	7	0	1	0	0	1	4	1
Employment and labour	9	1	8	1	1	0	3	3	0	0
Environmental affairs	4	0	4	4	0	0	0	0	0	0
Finance	1	0	1	0	0	0	0	0	1	0

Status of material irregularities at national level – by ministerial portfolio (continued)

Ministerial portfolio	Total	Resolved	Unresolved	Appropriate action taken	Appropriate action not taken – decision on invoking our powers in process	Assessment in process	Notified and awaiting response	Recommendations	Referral	Referral and recommendation
Higher education and training	10	3	7	1	1	0	0	4	1	0
Home affairs	2	0	2	1	0	0	0	1	0	0
Justice and constitutional development	3	1	2	2	0	0	0	0	0	0
Land reform and rural development	1	0	1	1	0	0	0	0	0	0
Mineral resources and energy	3	1	2	1	0	0	0	1	0	0
Police	5	0	5	4	0	0	0	1	0	0
Public enterprises	3	3	0	0	0	0	0	0	0	0
Public works and infrastructure	12	5	7	4	2	0	0	1	0	0
Science and technology	1	1	0	0	0	0	0	0	0	0
Social development	6	5	1	1	0	0	0	0	0	0
Sport, arts and culture	1	0	1	1	0	0	0	0	0	0
Tourism	1	0	1	0	0	1	0	0	0	0
Trade, industry and competition	3	0	3	3	0	0	0	0	0	0
Transport	11	9	2	1	1	0	0	0	0	0
Water and sanitation	16	5	11	9	0	0	0	0	2	0
Total	125	51	74	37	6	1	3	14	10	3

Appropriate action taken · Appropriate action not taken – decision on invoking our powers in process · Assessment in process · Notified and awaiting response · Recommendations · Referral · Referral and recommendation

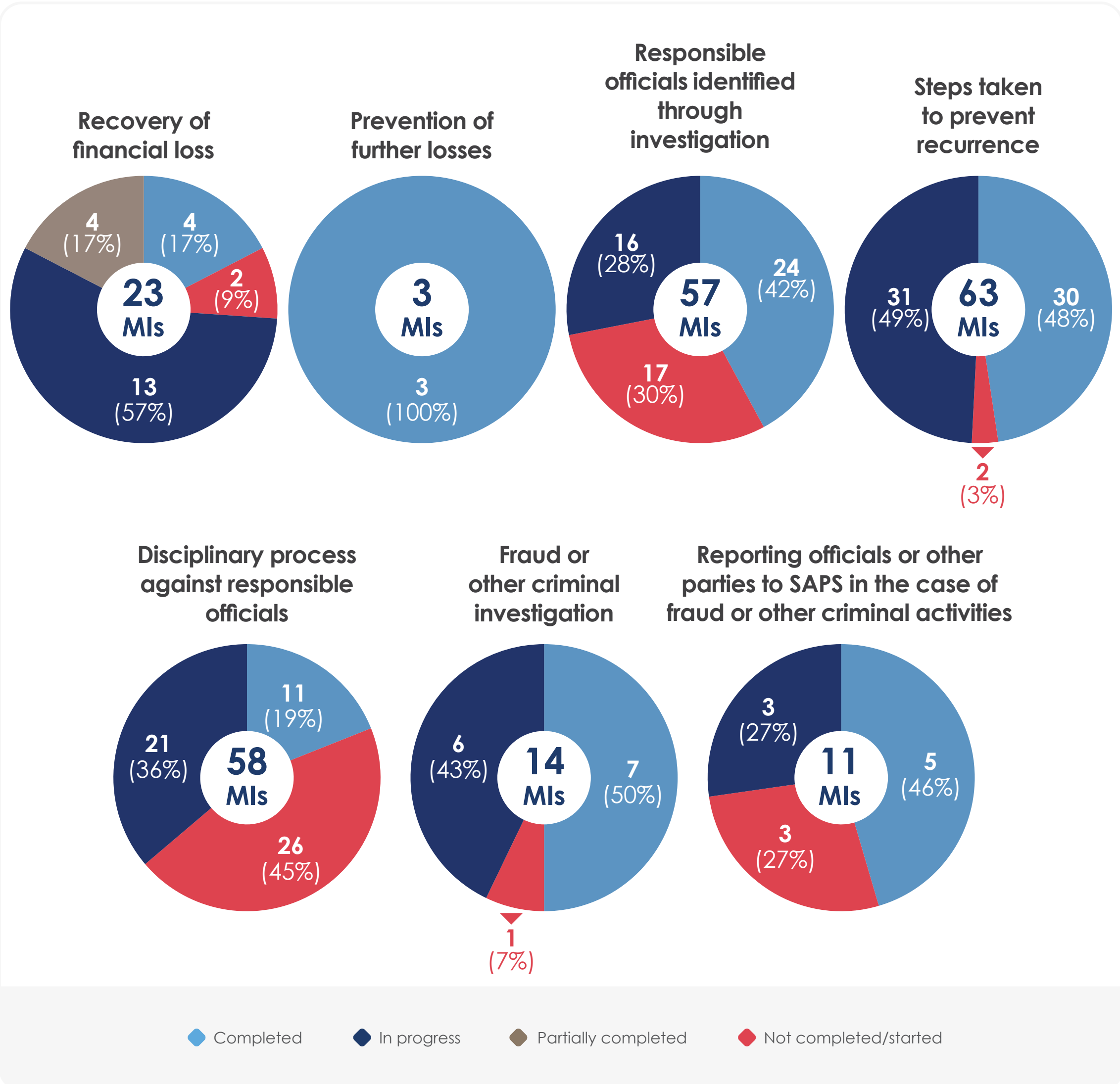
Appropriate action taken

Appropriate action means that we have assessed the steps being taken by the accounting officer or authority to resolve the MI and are comfortable that once these have been fully implemented, the MI will be resolved.

Different MIs need different actions (and sometimes a combination of actions) to resolve. Some require financial losses to be recovered, while others also require further financial losses to be prevented. Some require consequences to be implemented against responsible officials, while others also require fraud or criminal investigations to be conducted, the outcomes of which must be reported to the South African Police Service (SAPS).

Although the 72 MIs where appropriate action is being taken have not yet been fully resolved, accounting officers and authorities have made progress in implementing their proposed actions. Their actions may involve a combination of the categories of actions shown below.

Status of material irregularities requiring specific actions to be resolved



The main actions that still needed to be taken to fully resolve these MIs were the recovery of financial losses, as well as the finalisation of investigations and subsequent disciplinary processes against responsible officials as part of the consequence management process. In completing these actions, accounting officers and authorities often encounter stumbling blocks – as detailed in section 5.4.

Appropriate action not taken – invoked our powers

In 54 cases where accounting officers and authorities did not appropriately address the MIs that we 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 action taken

32 Recommendations in audit report as accounting officer or authority took little or no action to address MI

- Agriculture, Land Reform and Rural Development (Northern Cape) – 3
- Compensation Fund – 2
- Cooperative Governance, Human Settlements and Traditional Affairs (Northern Cape)
- Department of Defence
- Department of Home Affairs
- Department of Labour
- Department of Minerals Resources and Energy
- Department of Police
- Education (Free State) – 3
- Education (North West)
- GL Resorts (North West)
- Golden Leopard Resorts (North West)
- Health (Mpumalanga) – 2
- Health (Northern Cape)
- Madikwe River Lodge (North West)
- Mpumalanga Economic Growth Agency
- National Skills Fund
- National Student Financial Aid Scheme – 3
- Postbank
- Property Management Trading Entity
- Public Works (KwaZulu-Natal)
- Public Works and Roads (North West)
- Roads and Public Works (Northern Cape)
- State Information Technology Agency

14 Referral to public bodies for further investigation

- Department of Defence – 3
- Department of Military Veterans
- Free State Development Corporation (Free State)
- Health (Northern Cape)
- Human Settlements (Free State)
- Human Settlements (North West)
- National Treasury
- Northern Cape Urban TVET College
- South African Post Office
- State Information Technology Agency
- uMngeni-uThukela Water (KwaZulu-Natal) – 2

4 Recommendations in audit report and referral to public bodies

- Department of Defence
- Postbank – 2
- Roads and Public Works (Northern Cape)

4 Remedial action taken and referral to public bodies for further investigation

- Human Settlements (Free State) – 3
- Human Settlements (North West)

Section 5.5 provides further details on the status of the MIs where we invoked our powers.

5.3 IMPACT OF MATERIAL IRREGULARITY PROCESS

There has been an overall positive response to the MI process, and its impact is becoming more and more evident across national and provincial government.

The impact was not immediately evident, as the accountability ecosystem first had to become accustomed to the MI concepts and process – and to their role in that process. We also had to get resources and processes in place to deal with our new responsibilities. A clear impact started emerging from 2021-22, when we reported that financial losses of R1,16 billion had been prevented or recovered in national and provincial government.

When we notify an accounting officer or authority of an MI, they often address irregularities and transgressions that they should have already dealt with. Until we issued notifications, no actions were being taken to address 80% of the irregularities we identified over the administrative term.

Since 2019, accounting officers and authorities have taken action to prevent or recover financial losses, prevent harm and stop the misuse of public resources through the MI process. These actions have included the following:

- Making payment arrangements or negotiating with suppliers that are charging interest and penalties on late payments.
- Improving systems, processes and controls and protecting assets to prevent any further harm and financial losses.
- Recovering financial losses from suppliers and employees.
- Stopping supplier contracts where money was being lost.
- Implementing consequences against parties that caused the financial losses, harm and misuse of public resources, including handing over matters to law-enforcement agencies, and identifying the officials responsible and starting disciplinary processes against them.
- Making optimal use of resources that were previously either unused or underutilised.
- Submitting overdue financial statements.

Impact made by material irregularity process in national and provincial government

Financial impact

R1,45bn	R0,86bn	R1,08bn
Financial loss **recovered**	Financial loss in process of **being recovered**	Financial loss **prevented**

Additional impact

133 **Internal controls improved** to prevent recurrence	**103** Responsible officials identified and **disciplinary process** completed or in process
55 **Fraud/criminal investigations** instituted	**17** **Supplier contracts stopped** where money was being lost

Of the total estimated financial loss of R14,3 billion by national and provincial government, R3,39 billion has been recovered, prevented or is being recovered due to the MI process. The remaining balance of R10,91 billion is made up of:

- R563 million recovered, prevented or being recovered due to actions taken before we issued the MI notification
- R265 million written off by auditees as not recoverable
- R10,08 billion that is not yet in the process of being recovered and may be at risk of being lost

Departments and public entities can direct any recovered funds and public resources that were not used optimally towards service delivery, enabling government to achieve its strategic priorities.

The positive impact that the MI process is having is reflected in the following examples of MIs that had been fully resolved over the administrative term or are in the process of being resolved.

Examples of what we found over administration: positive impact of material irregularity process

Loss recovered: National Student Financial Aid Scheme

The entity did not recover overpayments made to tertiary institutions for at least the past five years in instances where payments exceeded students' total cost of study, because the institutions did not declare the amounts owed to the scheme since at least 2017. We notified the accounting authority of the MI in November 2020. As part of implementing our recommendations, which should be completed by July 2025, the full extent of the loss is being quantified and the entity has so far recovered R1,12 billion.

Loss prevented: Free State Department of Health

From June 2017 to May 2019, the department made payments of an estimated R33,43 million for renovation and repair work at the National Hospital in Bloemfontein that was not carried out. We notified the accounting officer of the MI in December 2021. The accounting officer instructed the contractor to go back to site and complete the project and to address the discrepancies between the work done and the payments made. We confirmed during the 2022-23 audit that the project had been completed and that the discrepancies had been addressed, resulting in the loss being prevented. The MI has been resolved.

Loss prevented: Department of Defence

The department imported an unregistered drug (Heberon) at an estimated cost of R260,35 million without approval from the South African Health Products Regulatory Authority. We notified the accounting officer of the MI in August 2021. The unused vials were repatriated to Cuba in November 2021, preventing an estimated financial loss of R226,85 million. The MI has been resolved.

Controls strengthened: Gauteng Department of Human Settlements

The department did not properly monitor and manage the implementation of national housing programmes in the province, resulting in key service delivery targets not being met since 2020-21. We notified the accounting officer of the MI in October 2023, and they immediately implemented monthly meetings with senior management and executive management teams to track the department's performance, identify potential challenges and provide timely interventions. Meetings with project managers to unlock challenges commenced in November 2023 and are held every two weeks, while sessions are held by the accounting officer with officials to review technical indicator descriptions to improve performance reporting. Further action is being taken to fully resolve the MI.

Controls strengthened: Construction Education and Training Authority

In May 2020, the entity entered into an agreement with a service provider to analyse data and conduct conflict-of-interest verifications. In June and July 2020, the service provider billed the entity at higher rates than agreed and billed value-added tax twice, resulting in an estimated financial loss of R4,48 million. We notified the accounting authority of the MI in June 2022. The accounting authority did not take appropriate action to resolve the MI, and we included recommendations in the audit report, which had to be implemented by September 2023. In March 2024, the accounting authority obtained a court order to recover the full amount from the service provider, and the recovery is in process. Since our MI notification, rates claimed on invoices are checked against contract rates before any payments are approved. The MI has been resolved.

Fraud/criminal investigations instituted: Coega Development Corporation (Eastern Cape)

From 2013 to 2021, an employee in the skills development centre created fictitious students on the system and facilitated the transfer of stipends estimated at R6,85 million into his own bank account. We notified the accounting authority of the MI in October 2021. The accounting authority investigated the allegations, and the responsible employee was dismissed. The entity has recovered R5,38 million from the employee's provident fund, leave pay and salary, as well as from an insurance payout. A criminal case was also opened with the SAPS, and the ensuing investigation resulted in the employee being found guilty and sentenced to 10 years' imprisonment. The entity's internal controls have been strengthened to prevent a recurrence. The MI has been resolved.

Further harm prevented, responsible officials identified and controls strengthened: Gauteng Department of Education

The department did not properly monitor compliance with the nutrition programme policy and legislative health requirements for preparing and storing food, resulting in incidents of suspected food poisoning of learners at Vlakfontein Secondary School in May 2021. We notified the accounting officer of the MI in September 2023 after an initial investigation confirmed that the food poisoning was linked to the school. A further investigation was completed in April 2024 and warning letters issued to the school principal, chairperson of the school governing body and district coordinator in May 2024. In June 2024, the accounting officer developed new nutrition guidelines and revised the nutrition programme policy to ensure compliance by all participating schools. The MI has been resolved.

Loss recovered and controls strengthened: Department of Public Works and Infrastructure

During 2022-23, the department made overpayments estimated at R4,86 million to a service provider for materials and transport costs. We notified the accounting officer of the MI in July 2023. The full amount was recovered through deductions from subsequent payments to the service provider in August and September 2023. The department improved controls by approving standard operating procedures in April 2024, which included requirements to provide map printouts and weight reports to support costs. Further action is being taken to fully resolve the MI.

Loss recovered and controls strengthened: Mpumalanga Department of Public Works, Roads and Transport

During 2019-20, the department paid an estimated R16,09 million to a service provider for work not done on the rehabilitation of a road in Bohlabela. We notified the accounting officer of the MI in November 2021. After concluding an investigation in January 2023, the department recovered the full amount in June 2023 through deductions from a subsequent payment to the service provider. The commitments and retentions register was refined to track payments to contractors monthly. The MI has been resolved.

Disciplinary action taken against responsible official and loss recovered: North West Department of Public Works and Roads

The department did not pay a service provider on time, which resulted in standing time and interest of R3,49 million being charged in February and March 2019. We notified the accounting officer of the MI in September 2020. The accounting officer concluded an investigation in March 2023 and the employment contract of the responsible official was terminated from April 2024. In March 2023, a settlement agreement was reached with the service provider, resulting in the full amount being recovered from the retention money. The MI has been resolved.

Further misuse prevented: KwaZulu-Natal Department of Sports, Arts and Culture

In March 2021, the department purchased two buses at a cost of R4,07 million to be converted into mobile libraries. After more than a year, the buses had still been not converted for their intended use. We notified the accounting officer of the MI in October 2022. During our site visit in July 2023, we confirmed that the buses had been converted and were operating as mobile libraries. The MI has been resolved.

Further misuse prevented: Mpumalanga Department of Health

The department completed the construction and furnishing of a much-needed neonatal high-care unit at Witbank Hospital by early 2017. During a site visit in 2023-24, we noted that the unit remained non-operational due to a lack of healthcare professionals to operate it. We notified the accounting officer of the MI in August 2023. The accounting officer appointed additional healthcare professionals and we confirmed during 2023-24 that the unit has been staffed and is operational. The MI has been resolved.

5.4 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 worsen the situation. Swift action is crucial to improve the chances of recovering losses and of preventing further misuse or harm. The delay between MI notification and MI resolution poses a significant challenge, as it hampers the ability of departments and public entities 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 departments and public entities to correct deep-rooted weaknesses or to quantify a financial loss that occurred across multiple years, which will take a lot longer to address. Not all delays are avoidable, and where we assess them to be reasonable, we do not invoke our powers.

The most common stumbling blocks we came across in resolving MIs are discussed below.

Instability at accounting officer and authority level and slow response

Instability at accounting officer and authority level continues to affect how MIs are resolved. If the original person is no longer in the position after we have issued an MI notification, we must often reissue the notification or the progress of resolving the MI comes to a halt. Some of the MIs are complex and depend on other institutions for appropriate action to be taken. Continuous monitoring and follow-up by the accounting officer or authority is crucial, and instability then contributes to further delays in resolving the MIs.

Department of Military Veterans

During March 2021, the department provided emergency housing to military veterans who were not eligible for such housing, resulting in an estimated financial loss of R5,74 million. We notified the accounting officer of the MI in December 2022, and they responded that certain employees had been identified for disciplinary action but did not provide evidence to support this claim. The accounting officer was suspended in March 2023 for other non-compliance matters and an acting accounting officer was appointed in May 2023 on a month-to-month basis. We reissued the notification in June 2023 and allowed time for appropriate steps to be taken by the acting accounting officer, but appropriate actions have still not been taken. We referred the matter to the Special Investigating Unit in September 2024 for further investigation.

National Student Financial Aid Scheme

In 2019-20, we identified that the entity did not charge interest on student loan accounts, which is likely to result in a financial loss if the interest is not recovered from loan recipients. We notified the accounting authority of the MI in November 2020. The resolution of the MI depends on the entity completing a close-out project to update the student records to the correct total cost of study per academic cycle and on higher education institutions providing reliable data to the scheme. In April 2024, the accounting authority was dissolved and an administrator was appointed. The latest implementation date for our recommendations is July 2025 due to the complexity of the actions that need to be taken.

Prolonged investigations or delays by public bodies

Some MIs can only be resolved once external parties have completed their investigations and processes. Prolonged investigations make it difficult for accounting officers and authorities to act swiftly to recover financial losses and to institute consequence management processes and criminal proceedings. The reasons for delays 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 that may not be available during the investigation and in 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.

North West Department of Community Safety and Transport Management

During 2017-18 and 2018-19, the department made payments to service providers for scholar transport services that were not received, resulting in an estimated financial loss of R21 million. We notified the accounting officer of the MI in July 2019. The matter was proclaimed in July 2019 for the Special Investigating Unit to investigate. By August 2024, 10 of the 32 service providers had been referred to the Special Tribunal for recovery of the loss and debt-acknowledgement letters have been signed by three service providers. Approval to continue with the investigation until December 2024 is currently pending since the investigation could not be finalised by August 2024.

Delays in disciplining officials

We often see delays when it comes to disciplining the officials responsible for MIs. Either the investigation to identify the responsible officials takes too long, or the disciplinary processes against implicated officials are delayed. These delays often arise because the investigations to identify such officials may be complex or time intensive. In some cases, additional time is taken so that the process is procedurally fair according to labour legislation to ensure that any applicable sanctions can be enforced.

Often, officials resign before they can be disciplined, causing further delays because different steps must be activated, such as referrals to other accounting officers or authorities to implement corrective action if the officials are still employed in government.

North West Department of Human Settlements

Between October 2019 and December 2020, the department overpaid a contractor by R2,98 million for project management services. We notified the accounting officer of the MI in September 2021. The accounting officer did not take appropriate action as the investigation had not been completed by July 2022 and the necessary disciplinary process initiated by August 2022 as planned. We took remedial action and referred the matter to the Directorate for Priority Crime Investigation (Hawks) in September 2023 for further investigation. The investigation is still in progress.

5.5 USING OUR EXPANDED MANDATE

In this sub-section, we list the details and status of the 54 MIs where we used our expanded mandate.

Auditees are provided with a specific date by when recommendations and remedial action should be implemented. If an accounting officer or authority requests additional time for implementation, it is only granted after approval by our internal MI governance committee based on evidence that progress has been made and if the reasons for delays are valid. The tables below include the latest implementation dates, taking into account any extensions provided.

Recommendations

We included recommendations on 36 MIs in the audit reports of 24 auditees.

Material irregularities at recommendation stage by 31 August 2024 – status at 8 November 2024

Auditee	Material irregularity	Final implementation date for recommendation	Status at 8 November 2024
Payments			
Agriculture, Land Reform and Rural Development (Northern Cape)	Overpayment to contractor for construction of fence in Bothitong and construction of stock water system in John Taolo Gaetsewe	18 October 2024	Assessment in process
Compensation Fund	Payments into incorrect bank account due to unauthorised changes in banking details	26 January 2025	Follow-up not yet due
Cooperative Governance, Human Settlements and Traditional Affairs (Northern Cape)	Payment to contractor for poor-quality work, resulting in remedial work on housing project in Lerato Park	27 February 2024	Resolved after cut-off date for this report
Education (Free State)	Payment to contractor, not in terms of contract, for standing time due to delays in construction of Tlholo Primary School	20 February 2024	Appropriate action not taken – decision on invoking powers in process
	Payment to contractor, not in terms of contract, for standing time due to delays in construction of Malebogo Primary School	20 February 2024	Appropriate action not taken – decision on invoking powers in process
	Payment to contractor, not in terms of contract, for standing time due to delays in construction of Caleb Motshabi Primary School	20 February 2024	Appropriate action not taken – decision on invoking powers in process
Health (Mpumalanga)	Payments for software not installed	28 February 2025	Follow-up not yet due

Material irregularities at recommendation stage by 31 August 2024 – status at 8 November 2024 *(continued)*

Auditee	Material irregularity	Final implementation date for recommendation	Status at 8 November 2024
Payments *(continued)*			
Mpumalanga Economic Growth Agency	Payments for services not received on government nutrition programme	30 October 2024	Assessment in process
National Skills Fund	Overpayments on learnership programme	10 September 2024	Assessment in process
National Student Financial Aid Scheme	Disbursement of loans to students for tuition fees and allowances exceeding contract amounts	31 July 2025	Follow-up not yet due
Roads and Public Works (Northern Cape)	Payment to contractor for invalid standing time and settlement costs for rehabilitation of road	15 April 2024	Appropriate action not taken – decision on invoking powers in process
	Payment to contractor for work not done on rehabilitation of road	30 January 2025	Follow-up not yet due
State Information Technology Agency	Payment to supplier for services not delivered on stakeholder engagement event	31 October 2024	Assessment in process
Revenue management			
Compensation Fund	Loss of revenue due to duplicate account created with incorrect assessment amounts	26 January 2025	Follow-up not yet due
Department of Home Affairs	Inadequate controls to collect all money due from fines and penalties	24 November 2024	Follow-up not yet due
National Student Financial Aid Scheme	Money owed by tertiary institutions due to disbursements received exceeding students' total cost of study not collected	31 July 2025	Follow-up not yet due
	Interest not charged on student loan accounts	31 July 2025	Follow-up not yet due
Interest and penalties			
Health (Northern Cape)	Interest on late payment for work done on mental health project	31 January 2025	Follow-up not yet due
Postbank	South African Social Security Agency penalty due to breach of contract	6 December 2024	Follow-up not yet due

Material irregularities at recommendation stage by 31 August 2024 – status at 8 November 2024 *(continued)*

Auditee	Material irregularity	Final implementation date for recommendation	Status at 8 November 2024
Inefficient use of resources/no benefit from cost			
Department of Defence	Unused medical equipment at 1 Military Hospital, resulting in financial loss	24 January 2025	Follow-up not yet due
Department of Labour	Payments for unused software licences	29 January 2025	Follow-up not yet due
Department of Mineral Resources and Energy	Solar water geysers paid for but not installed, resulting in storage costs	10 September 2024	Assessment in process
Department of Police	Payment to supplier for breach of contract based on an arbitration award; the goods and services paid for were not ordered, delivered and used	14 April 2025	Follow-up not yet due
Postbank	Poor card management and payment controls, resulting in cards being fraudulently used	23 October 2024	Assessment in process
	Customer bank cards not safeguarded, resulting in funds being written off	23 October 2024	Assessment in process
Misuse of material public resources			
Department of Defence	Unused medical equipment at 2 Military Hospital	11 December 2024	Follow-up not yet due
Public Works (KwaZulu-Natal)	Payment for unused software licences	15 November 2024	Follow-up not yet due
Harm to general public			
Education (North West)	Poor food storage conditions causing harm to learners due to National School Nutrition Programme guidelines not adhered to	31 January 2025	Follow-up not yet due
Public Works and Roads (North West)	Provincial road infrastructure not maintained, resulting in potential harm to public	31 January 2025	Follow-up not yet due

Material irregularities at recommendation stage by 31 August 2024 – status at 8 November 2024 *(continued)*

Auditee	Material irregularity	Final implementation date for recommendation	Status at 8 November 2024
Harm to public sector institution			
GL Resorts (North West)	Mismanagement of financial affairs, resulting in going concern issues	31 January 2025	Follow-up not yet due
Golden Leopard Resorts (North West)	Mismanagement of financial affairs, resulting in going concern issues	31 January 2025	Follow-up not yet due
Health (Mpumalanga)	Insufficient healthcare professionals appointed, resulting in key performance targets not being achieved	23 February 2025	Follow-up not yet due
Madikwe River Lodge (North West)	Mismanagement of financial affairs, resulting in going concern issues	31 January 2025	Follow-up not yet due
Procurement			
Agriculture, Land Reform and Rural Development (Northern Cape)	Farmer support project awarded to bidder that did not score highest points to supply goods to Frances Baard and John Taolo Gaetsewe district municipalities	15 August 2024	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	15 August 2024	Assessment in process
Assets not safeguarded			
Property Management Trading Entity	Assets at Leeuwkop prison not appropriately safeguarded and subsequently damaged during construction	17 January 2024	Resolved after cut-off date for this report

Remedial action

We took remedial action for four MIs at two auditees. The remedial actions for these MIs were not yet due.

Material irregularities at remedial action stage – status at 31 August 2024

Auditee	Material irregularity	Final implementation date for remedial action	Status at 31 August 2024
Payments			
Human Settlements (Free State)	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)	23 February 2025	Follow-up not yet due
	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)	23 February 2025	Follow-up not yet due
	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	23 February 2025	Follow-up not yet due
Human Settlements (North West)	Invalid payment on project management services relating to occupational health and safety work performed on various projects	23 November 2024	Follow-up not yet due

Referrals

By 1 September 2024, we had decided to refer 22 MIs at 13 auditees for investigation to the four public bodies outlined in the table.

Material irregularity referrals to public bodies – status at 1 September 2024

Auditee	Material irregularity	Referral date	Status at 1 September 2024
Directorate for Priority Crime Investigation (Hawks)			
Northern Cape Urban TVET College	Quotations submitted for procurement process seem to have been tampered with and thus not authentic	27 May 2024	Investigation in progress
Human Settlements (Free State)	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
Human Settlements (North West)	Invalid payment to supplier for occupational health and safety services	5 February 2024	Investigation in progress
	Payment to contractor for work not done on housing project	5 February 2024	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

Material irregularity referrals to public bodies – status at 1 September 2024 (continued)

Auditee	Material irregularity	Referral date	Status at 1 September 2024
Directorate for Priority Crime Investigation (Hawks) *(continued)*			
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	Referral being considered by public body
	Customer bank cards lost due to lack of effective system of internal controls over safeguarding of customer-issued bank cards	20 June 2024	Referral being considered by public body
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
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
Special Investigating Unit			
Department of Military Veterans	Payment for emergency housing to ineligible military veterans	1 September 2024	Referral being considered by public body
Roads and Public Works (Northern Cape)	Payment to contractor for work not done on rehabilitation of road	29 August 2024	Referral being considered by public body
Umngeni-uThukela Water (KwaZulu-Natal)	Payments for consultancy services not received	26 July 2022	Investigation in progress
	Invalid payments for security services	26 July 2022	Investigation in progress
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
State Information Technology Agency	Payment for licences that were not used	27 August 2024	Referral being considered by public body
Department of Defence	Inventory and asset management contract not awarded only to bidder scoring highest points in evaluation process	23 October 2023	Referral being considered by public body

Material irregularity referrals to public bodies – status at 1 September 2024 (continued)

Auditee	Material irregularity	Referral date	Status at 1 September 2024
Public Protector South Africa			
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
National Treasury			
Health (Northern Cape)	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

5.6 CONCLUSION

The MI process contributed to improved accountability and oversight over the term of the 6th administration, but this accountability mechanism has not yet reached its full potential. We encourage leadership in the 7th administration 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.

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 do our part to instil a culture of transparency and accountability in national and provincial government, built on a foundation of ethical behaviour and institutional integrity.

06

ECOMM NDATIO NEW MINIST

Effective oversight is essential for administration to be successful

In our previous general report, we called on those that play pivotal roles in the accountability ecosystem to promote a culture of accountability that will improve service delivery and create tangible prospects for a better life for the people of South Africa.

We urged all roleplayers to heed our call to action to address the root causes that are holding back progress towards a culture of performance, accountability, transparency and institutional integrity.

Through our audits, and as demonstrated in the various sections of this report, we reconfirmed the root causes to be as follows:

- Inadequate intergovernmental planning, coordination and support
- Ineffective resource management
- A culture of no accountability and consequences

The new administration has an excellent opportunity to build on the good work done by their predecessors in improving transparency, accountability and elements of institutional integrity. These improvements will contribute to a stronger foundation for service delivery in their term. However, 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 National Development Plan 2030.

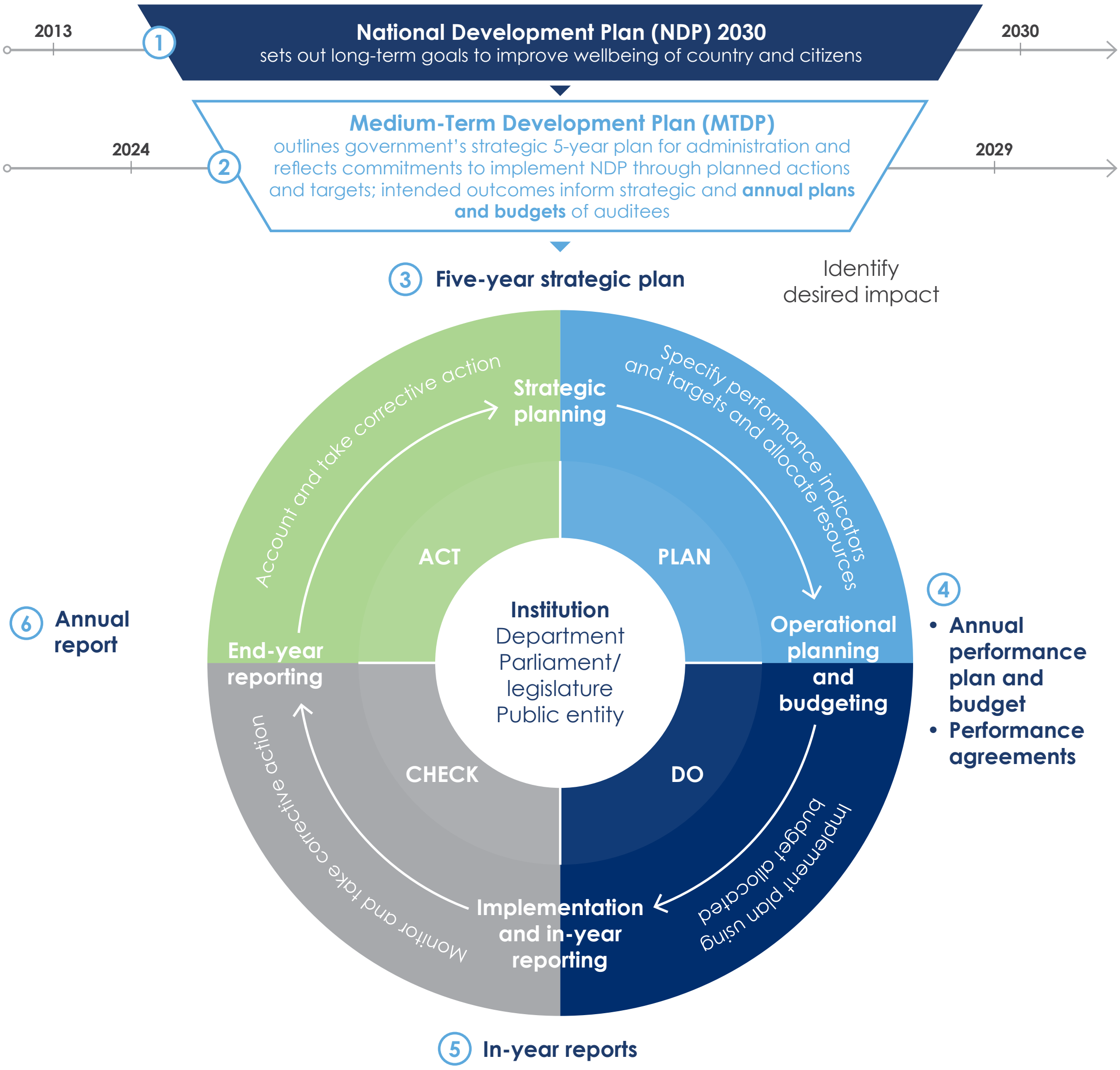
To address the root causes, improve service delivery and proactively manage the risks that can derail the progress made, we recommend that the newly elected executive authorities and the members and committees of Parliament and provincial legislatures (oversight structures) prioritise their oversight focus on the five key matters detailed below.

6.1 INTERGOVERNMENTAL AND INSTITUTIONAL PLANNING FOR DELIVERY ON MEDIUM-TERM DEVELOPMENT PLAN

The Government of National Unity has resolved to dedicate the next five years to actions that will advance three strategic priorities: promoting inclusive growth and job creation; reducing poverty and tackling the high cost of living; and building a capable, ethical and developmental state.

For the administration to successfully deliver on these 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. Government's planning, budgeting, monitoring and reporting processes have been well designed to support intergovernmental planning and to enable monitoring and accountability activities in pursuit of success.

Planning, budgeting, monitoring and reporting process



At the time of writing this report, the Medium-Term Development Plan (MTDP) that will direct the service delivery imperatives of the 7th administration had not yet been finalised. The planned date for approval by Cabinet is January 2025. One of the most important deliverables of any administration is to ensure that the plan includes clear responsibilities, objectives and targets that are specific, measurable, achievable, relevant and time bound (SMART) and is focused on outcomes and impact. Such a high-quality plan will enable auditees to align their strategic plans and performance plans (from 2025-26) to government priorities and to include useful indicators and targets from the start, which will also help them to avoid material findings from our audits.

We recommend prioritising the establishment of a high-quality MTDP as a foundation for delivering on the administration's strategic priorities.

In this crucial period for the new administration, we highlight the importance of the following institutions that form part of the accountability ecosystem.

Department of Planning, Monitoring and Evaluation (DPME)

Mandated to develop MTDP, monitor and evaluate implementation of government priorities, and support and coordinate development of standardised indicators in sectors

Section 85(2) of Constitution

National sector departments

Responsible for policy-making and developing sector plans aligned with MTDP; and consulting with relevant provincial institutions to agree on sector priorities, including standardising performance indicators to ensure relevant MTDP indicators are included in provincial departments' short- and medium-term plans

Guidelines for the standardisation for sectors with concurrent functions, issued by DPME in 2020

Presidency / premiers' offices

Presidency

Plays key role in executive management, coordinating government on policy issues, and aligning sector priorities with national strategic policy frameworks and other government priorities

Section 85(2) of Constitution

Premiers' offices

Play pivotal role in providing strategic leadership and coordination in provincial policy formulation and review; and in supporting, planning and overseeing service delivery planning and implementation in provincial and local government in support of provincial and national priorities and plans

Section 85(2) of Constitution

Treasuries

National Treasury

Responsible for financial and fiscal matters across all spheres of government

Chapter 2 of Public Finance Management Act

Provincial treasuries

Responsible for managing provincial and municipal fiscal resources

Chapter 3 of Public Finance Management Act

Portfolio committees in Parliament and provincial legislatures

Responsible for ultimately approving annual performance plan and recommending budget; and for quarterly monitoring of progress on achievement of targets

Rule 227 of National Assembly

Accounting officers and authorities

Responsible for planning and budgeting, delivering on plans within allocated budgets, and accounting for performance through quarterly and year-end reporting

Sections 39, 51, 52 and 55 of Public Finance Management Act

Executive authorities

Responsible for approval and quarterly performance monitoring 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 enables corrective action

Section 63 of Public Finance Management Act

As mentioned in section 2, we observed the positive impact made by the DPME and most of the premiers' offices on the quality of performance plans. Where we identified problems with performance plans, the issues were also flagged by these institutions but often the auditees chose not to adjust their plans as recommended.

Most of the national sector departments also did good work, with the support of the DPME, to develop standardised indicators for their sector, which ensured prioritisation, consistent measurement and credible reporting on the achievement of targets. However, the national departments faced significant resistance from their provincial counterparts, which did not want to include these indicators in their plans. The basic education sector is a good example of this challenge, as detailed in section 4.2.

The common cause of these breakdowns in the planning value chain was the preference of some auditees to exclude from their plans indicators that could result in audit findings on the reliability of reported achievements or attract oversight attention due to underachievement. Because the DPME, premiers' offices and national sector departments do not have an enforcement mandate, there are little recourse and no consequences if their recommendations, support and instructions are disregarded.

We call on executive authorities and oversight structures to reinforce the important role of these institutions as follows:

- Insist that the results of the reviews done by the DPME and premiers' offices are submitted together with any performance plan put forward for consideration and approval. Portfolio committees will also benefit from briefings by these institutions on their findings.
- Approve performance plans of sector departments only if there is adequate alignment to the agreed-upon standardised indicators for the sector.
- Strengthen the enforcement mandate of these institutions.

Over the administrative term, we observed and reported in our general reports on the negative impact of unclear roles, misalignment and lack of coordination on the timely delivery of key government programmes and initiatives. We also reported on this problem in our various special reports on the real-time audit we conducted during the covid-19 pandemic, and highlighted it as part of our audits on flood relief and disaster management. The start of a new administration is an opportune time to address these challenges.

We recommend that executive authorities prevent delivery challenges by paying attention to the clarification of mandates, alignment of policies and initiatives, and intergovernmental coordination for streamlining the implementation of initiatives.

6.2 INSTITUTIONAL CAPACITY AND EFFECTIVE GOVERNANCE FOR TRANSPARENT REPORTING AND ACCOUNTABILITY

Government's planning, budgeting, monitoring and reporting processes have been well designed to support a basic plan-do-check-act model. Planning is essential, but delivery also depends on transparent and credible reporting. Accounting officers and authorities must report on what they have achieved and how they have used the budgets provided on a quarterly basis and at year-end. With this information, executive authorities, coordinating institutions and committees in Parliament and the provincial legislatures can monitor and oversee how the institutions perform, provide opportunities for correction if they are not on track, and address any shortcomings as early as possible. If this information is not available or if the information is not reliable, the opportunity for oversight structures to exercise their duties is compromised.

The quality of financial statements and performance reports that were published and used for oversight purposes improved over the administrative term but, at most auditees, the versions we received for auditing continued to be materially flawed, which were then corrected based on our findings. We also continued to see high-impact auditees struggling to account correctly for their finances and performance.

The reason for this is that the people, processes and systems required for credible and transparent in-year and year-end reporting are not fully established in national and provincial government. In addition to these institutional capacity gaps, the governance processes that should identify and address these deficiencies are not always effective.

As part of our audits, we made recommendations to accounting officers and authorities and their senior management on filling vacancies, capacitating officials, institutionalising internal controls (with a focus on preventative controls), establishing good policies and procedures, and protecting and improving their systems.

To strengthen governance processes, we advocated for the optimal use of internal audit units and audit committees throughout the administrative term. Internal audit units provide independent assurance to the accounting officers and authorities on whether controls have been implemented and risks mitigated. The units work under the oversight of the audit committee – 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, performance management and compliance with legislation. The committee is also required to provide assurance on how complete, reliable and accurate the financial and performance information are.

By 2023-24, almost all the auditees we assessed had internal audit units and audit committees that performed all the functions required by legislation, including evaluating the reliability of financial and performance information and compliance with legislation.

The TVET colleges were the exception – of the 47 we assessed, 14 did not have either an audit committee or an internal audit unit, or both. Of the remaining 33, 11 did not evaluate the reliability of financial statements and compliance with legislation. We also see these weaknesses at the public entities in North West, where four of the five entities did not have internal audit units and/or audit committees. At the one entity where both structures were in place, the reliability of the financial statements was not assessed. The governance processes at these colleges and public entities were weakened by the lack of functioning audit committees and internal audit units – as demonstrated by their audit outcomes.

At the 185 auditees that had both audit committees and internal audit units but did not achieve clean audits, we observed the following:

- 14 (8%) did not review the reliability of the financial statements, performance reports and/or compliance with legislation.
- 19 (10%) performed all the reviews, but we assessed the work they did to be ineffective (for example, their reviews did not identify known risks or material misstatements).
- 45 (24%) performed all the reviews and we assessed the work they did to be effective, but management did not implement their recommendations.
- 107 (58%) had management that addressed the recommendations and this contributed to an improvement in one or more areas of audit outcomes.

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 our experience, most of these professionals are competent and committed to serving auditees well with their skill sets. However, auditees do not get the full value that they can bring to financial and performance management because their influence will always depend on the support their role receives and the responsiveness of accounting officers and authorities and senior management to their recommendations.

Our recommendation to executive authorities and oversight structures is to ask the accounting officers and authorities the right questions to obtain assurance on institutional capacity and 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 (available on our website: www.agsa.co.za).

We further recommend that they should 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.

In previous general reports, we commented on the importance of the portfolio and public accounts committees' roles in governance processes. During the 6th administration, Parliament and the provincial legislatures did significant work to improve the functioning and impact of the committees. One example is the mechanisms established to record and track committee resolutions. However, areas that can be improved are committees' effectiveness in evaluating performance plans, using the information in the financial statements and performance reports for oversight purposes, and ensuring the implementation of resolutions.

We recommend that Parliament and the provincial legislatures invest in resources, training and processes that will support the chairs and members of the portfolio and public accounts committees to perform their oversight role effectively, resulting in impactful resolutions that executive authorities and accounting officers and authorities will be compelled to implement.

6.3 INFRASTRUCTURE, SYSTEMS AND PROFESSIONALISATION AS KEY ENABLERS

In sections 3.1 and 3.2, we highlighted the importance of the government infrastructure programme and the modernisation of systems to enable service delivery and capable state institutions. Professionalisation of the public sector is a further key enabler.

In previous general reports, we reported on the National Implementation Framework towards the Professionalisation of the Public Sector approved by Cabinet in October 2022. 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. The framework rests on the following five pillars:

- **Pillar 1:** Tightening pre-entry requirements: ensuring effective recruitment and selection processes that inform meritocratic appointments at middle and senior management levels
- **Pillar 2:** Workplace orientation and induction: promoting a healthy organisational culture through effective onboarding programmes
- **Pillar 3:** Effective planning and performance management: implementing robust performance management systems, including alignment with professional bodies or association registration
- **Pillar 4:** Continuous learning and professional development: encouraging ongoing skill enhancement for public servants
- **Pillar 5:** Managing career progression: addressing career incidents and progression for public servants and heads of departments

In 2023-24, we assessed government's state of readiness to implement the framework, as limited progress has been made since 2022. We identified several gaps, which we are sharing with those roleplayers that can influence the successful implementation of the framework, including the Department of Public Service and Administration, the National School of Government and the Public Service Commission.

Successfully implementing the framework will require a coordinated and well-planned approach, but will contribute to addressing the concerns we have raised over the administrative term and highlight throughout this report about the lack of skills and capacity in national and provincial government. The impact of this shortage is felt in several areas that auditees are required to manage, including finances, performance, information technology systems, procurement and contracts, infrastructure and projects. In section 4, we specifically highlight the impact of insufficient resources and skills on the quality of health services and the successful implementation of education programmes.

We recommend that executive authorities and oversight structures pay attention to the following:

- Ensure that they know which infrastructure and system development projects are underway in their portfolios and what is planned over the administrative term, and prioritise oversight of the significant projects and insist on regular updates and accountability.
- Direct, support and oversee improvements in the shared service and regulatory institutions within their portfolios responsible for information and communication technology (such as the State Information Technology Agency) and infrastructure (such as the Construction Industry Development Board).
- Support the implementation of the professionalisation framework.

6.4 SERVICE DELIVERY RISKS TO MANAGE

In section 3, we highlighted risks in the national and provincial government environment that can derail service delivery and place even more pressure on government finances if not properly managed.

We provided recommendations on addressing these risks to the accounting officers and authorities during our audits.

We recommend that executive authorities and oversight structures pay specific attention to the following risks as part of their oversight and monitoring responsibilities:

- The poor quality of spending and budget overspending that contribute to additional pressure on government finances.
- Weaknesses in the processes for procuring goods and appointing contractors on major projects, and in the management of contractors.
- Cybersecurity vulnerabilities.
- The culture of no consequence at auditees.

6.5 MATERIAL IRREGULARITY PROCESS AS AN OVERSIGHT TOOL

During the 6th administration, the material irregularity (MI) process contributed to improved accountability and oversight. We encourage leadership in the new administration 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.

Everyone in the accountability ecosystem has a crucial role to play in optimising the impact of the MI process. Some roleplayers have mandates and powers similar to – or more comprehensive than – ours, which they should use to ensure that irregularities are dealt with swiftly and that similar instances are prevented.

The following **recommendations** are aimed at the broader accountability ecosystem:

- **Accounting officers and authorities,** supported by **senior management,** are responsible for preventing and resolving MIs. When we issue an MI notification, we effectively ask the accounting officer or authority to use their powers and responsibilities in terms of legislation and policies to deal with the matter swiftly. The positive impact of the MI process described in section 5 results from accounting officers and authorities doing what they are required to do. Rather than only resolving MIs, accounting officers and authorities should focus on implementing and improving preventative controls to avert the MI process by institutionalising a culture of ethical discipline and accountability.
- **Audit committees and internal audit units** should provide an independent view of the effectiveness of controls and processes. These governance structures are responsible for helping accounting officers and authorities carry out their monitoring responsibilities and make informed decisions. They need to monitor the resolution of MIs and advise the accounting officers and authorities on implementing internal controls that can prevent recurrences.

- **Executive authorities and leadership** (including the president and premiers) and **oversight structures** (Parliament and the provincial legislatures, and their committees) should seize the opportunity to contribute to improving national and provincial government through the MI mechanism. They should optimise the MI process as an oversight tool and strengthen collaboration and processes with legislatures and **coordinating institutions** to identify irregularities, losses and harm; insist that accounting officers and authorities address any identified irregularities; and monitor the progress made in resolving them.
- **Investigative public bodies** should respond promptly when MIs are referred to them to ensure that investigations progress satisfactorily. They should collaborate effectively with other stakeholders involved in the MI process and be held accountable for any delays in investigations.
- Active citizenry by **communities and community organisations** promotes positive change and is crucial to ensure that the needs of the public are heard and acted on, and that national and provincial leadership is held accountable for any wrongdoing. We encourage the **public** to hold government accountable through available channels and to report any indicators of abuse, mismanagement and fraud.

6.6 CONCLUDING REMARKS

The recommendations in this section are mostly directed to the executive authorities and the members and committees of Parliament and the provincial legislatures that were elected to direct and oversee the 7th administration.

We also call on all others in the accountability ecosystem to fulfil their designated roles and play their part effectively, without fear or favour, to promote 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.

07

PROVINCES

Improvements in all provinces but limited clean audits and key service delivery departments have poorest outcomes

Provincial government plays a significant role in implementing government's service delivery priorities. In 2023-24, provincial government was responsible for approximately 37% (or R768,94 billion) of the estimated expenditure budget.

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.

7.1 OVERVIEW

The first part of this section provides an overview of the key results from our audits over the administrative term through figures showing province-specific information on audit outcomes, quality of financial and performance reporting, compliance with key legislation, financial health indicators and the status of material irregularities (MIs). The second part of the section focuses on the state of provincial government in each of the nine provinces.

Audit outcomes

Overall, the provincial audit outcomes improved from 2018-19, with 62 provincial auditees improving and 11 regressing – a net improvement of 31% over the administrative term. We saw the biggest net improvements in North West (56%), followed by the Free State (44%), KwaZulu-Natal (33%) and Gauteng (30%). The Western Cape, Gauteng, KwaZulu-Natal and the Eastern Cape are the provinces with the highest number of clean audits.

Provincial audit outcomes, percentage of provincial budget and movement from 2018-19

Province	Year	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits
EASTERN CAPE (EC)	2018-19	5	11	5	0	0	0
	2023-24	9	9	3	0	0	0
FREE STATE (FS)	2018-19	0	6	9	0	1	0
	2023-24	2	8	6	0	0	0
GAUTENG (GP)	2018-19	7	14	0	0	2	0
	2023-24	12	10	0	1	0	0
KWAZULU-NATAL (KZN)	2018-19	5	9	6	0	0	0
	2023-24	10	9	2	0	0	0
LIMPOPO (LP)	2018-19	1	11	7	0	0	0
	2023-24	6	8	5	0	0	0
MPUMALANGA (MP)	2018-19	2	10	4	0	0	0
	2023-24	4	10	2	0	0	0
NORTHERN CAPE (NC)	2018-19	2	6	3	0	0	0
	2023-24	6	3	3	0	0	0
NORTH WEST (NW)	2018-19	1	3	7	0	7	0
	2023-24	3	10	1	1	3	3
WESTERN CAPE (WC)	2018-19	16	2	0	0	0	0
	2023-24	18	2	0	0	0	0

Province	Budget	Improvement	Regression
EASTERN CAPE	R97,03bn (13%)	7	2
FREE STATE	R45,14bn (6%)	8	1
GAUTENG	R170,67bn (21%)	8	1
KWAZULU-NATAL	R154,40bn (20%)	10	3
LIMPOPO	R84,78bn (11%)	7	1
MPUMALANGA	R61,13bn (8%)	5	1
NORTHERN CAPE	R22,04bn (3%)	5	1
NORTH WEST	R50,88bn (7%)	11	1
WESTERN CAPE	R82,87bn (11%)	1	0

Unqualified with no findings (clean) · Unqualified with findings · Qualified with findings · Adverse with findings · Disclaimed with findings · Outstanding audits

Movement from 2018-19 ▲ Improvement ▼ Regression

Financial statements

Most provincial government auditees continued to submit their financial statements on time over the administrative term, with improvement in the Northern Cape and North West. The quality of financial reporting improved from 42% in 2018-19 to 70% in 2023-24, with the biggest improvement in the Northern Cape and Limpopo. The Western Cape and Gauteng had the highest number of unqualified audits, while the number of unqualified audits in North West (from four auditees in 2018-19 to 13 auditees in 2023-24), the Free State (from six auditees in 2018-19 to 10 auditees in 2023-24) and KwaZulu-Natal (from 14 auditees in 2018-19 to 19 in 2023-24) increased the most over the administrative term.

Financial statements – audit results in provinces

Province	Financial statements submitted by legislated date		Good-quality financial statements submitted for auditing		Unqualified audit opinions on financial statements (post audit)	
	Number	Movement from 2018-19	Number	Movement from 2018-19	Number	Movement from 2018-19
EC Eastern Cape	21 (100%)	▶	16 (76%)	▲	18 (86%)	▲
FS Free State	16 (100%)	▶	5 (31%)	▲	10 (63%)	▲
GP Gauteng	23 (100%)	▶	17 (74%)	▲	22 (96%)	▲ (slight)
KZN KwaZulu-Natal	21 (100%)	▶	18 (86%)	▲	19 (90%)	▲
LP Limpopo	19 (100%)	▶	12 (63%)	▲	14 (74%)	▲
MP Mpumalanga	16 (100%)	▶	9 (56%)	▲	14 (88%)	▲
NC Northern Cape	12 (100%)	▲	9 (75%)	▲	9 (75%)	▲ (slight)
NW North West	18 (86%)	▲	10 (56%)	▲	13 (72%)	▲
WC Western Cape	20 (100%)	▶	20 (100%)	▶	20 (100%)	▶

▲ Improved ▶ Sustained 100% achievement ▲ Slight improvement

Performance reports

The quality of performance reports submitted for auditing improved over the administrative term, with 48% of auditees submitting good-quality performance reports in 2023-24, compared to 27% in 2018-19. The largest improvements were seen in KwaZulu-Natal and Gauteng. The number of performance reports with no material findings also improved, from 56% in 2018-19 to 68% in 2023-24, with KwaZulu-Natal and Mpumalanga having the highest improvement over the administrative term. The Free State had a net regression of 7% over the term of the administration.

Performance reporting – audit results in provinces

Province	Performance reports submitted for auditing		Good-quality performance report submitted for auditing		No material findings on performance reports (post audit)	
	Number	Movement from 2018-19	Number	Movement from 2018-19	Number	Movement from 2018-19
EC Eastern Cape	21 (100%)	Sustained 100% achievement	10 (48%)	Improved	13 (62%)	Slight improvement
FS Free State	14 (100%)	Sustained 100% achievement	3 (21%)	Unchanged	6 (43%)	Regressed
GP Gauteng	22 (100%)	Sustained 100% achievement	14 (64%)	Improved	17 (77%)	Improved
KZN KwaZulu-Natal	19 (100%)	Sustained 100% achievement	12 (63%)	Improved	17 (89%)	Improved
LP Limpopo	19 (100%)	Sustained 100% achievement	5 (26%)	Slight regression	10 (53%)	Unchanged
MP Mpumalanga	16 (100%)	Sustained 100% achievement	6 (38%)	Improved	12 (75%)	Improved
NC Northern Cape	12 (100%)	Sustained 100% achievement	6 (50%)	Improved	7 (58%)	Slight improvement
NW North West	16 (94%)	Regressed	4 (25%)	Improved	7 (44%)	Improved
WC Western Cape	20 (100%)	Sustained 100% achievement	17 (85%)	Improved	19 (95%)	Improved

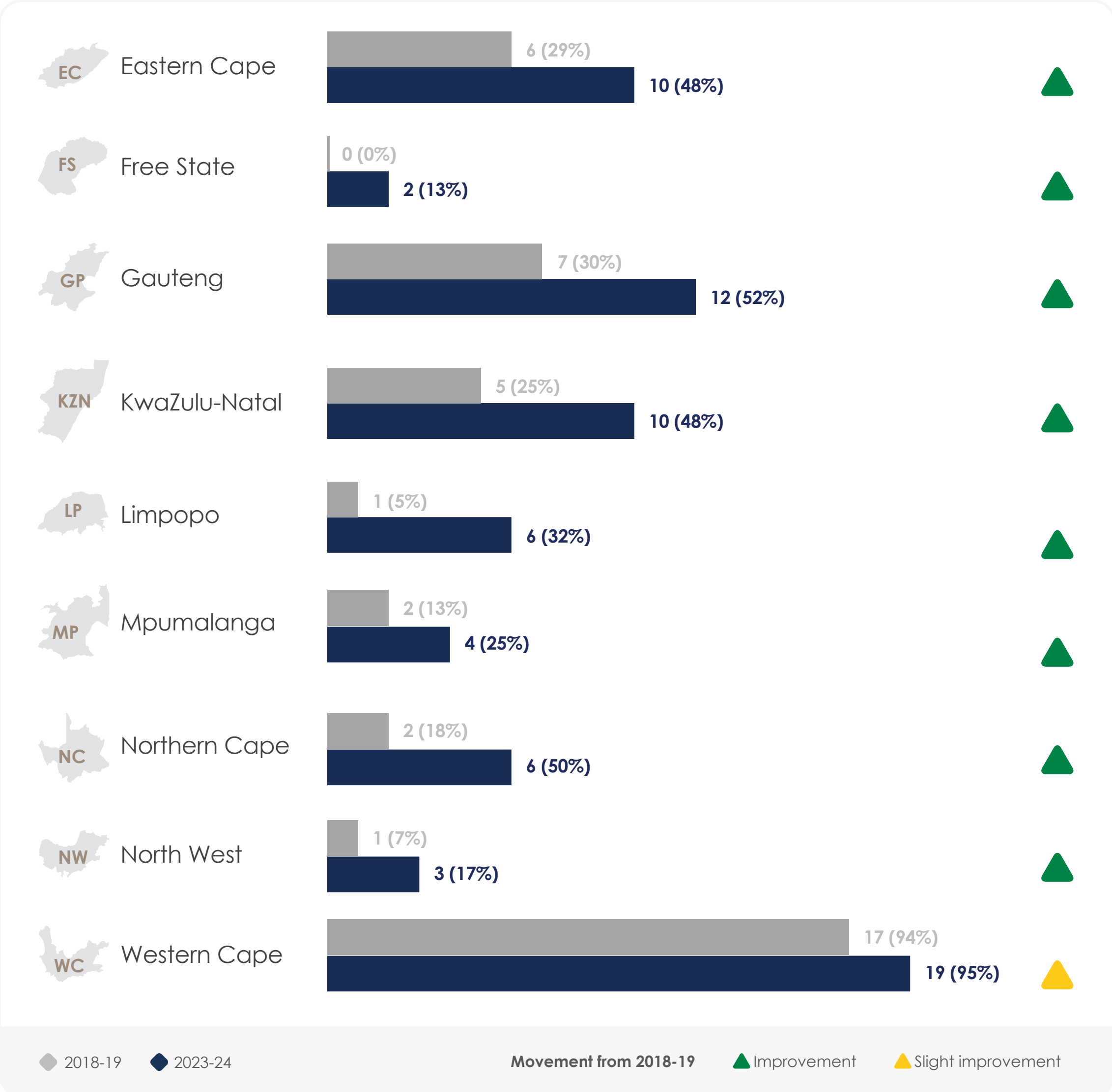
Improved | Sustained 100% achievement | Unchanged | Slight improvement | Slight regression | Regressed

Compliance with key legislation and irregular expenditure

There were continued high levels of non-compliance with key legislation in all provinces except the Western Cape. The percentage of provincial auditees that did not have material findings on compliance with key legislation improved from 26% in 2018-19 to 43% in 2023-24.

Compliance – audit results in provinces

(Provincial auditees with no material findings on compliance)



Compliance with procurement and contract management legislation

In 2023-24, we reported findings on compliance with procurement and contract management legislation at 77% of provincial auditees, at the same level as the 78% in 2018-19. At 31% of auditees, the non-compliance was material enough to be reported in the audit report – an improvement from 57% in 2018-19.

Compliance with legislation on procurement and contract management – findings in provinces

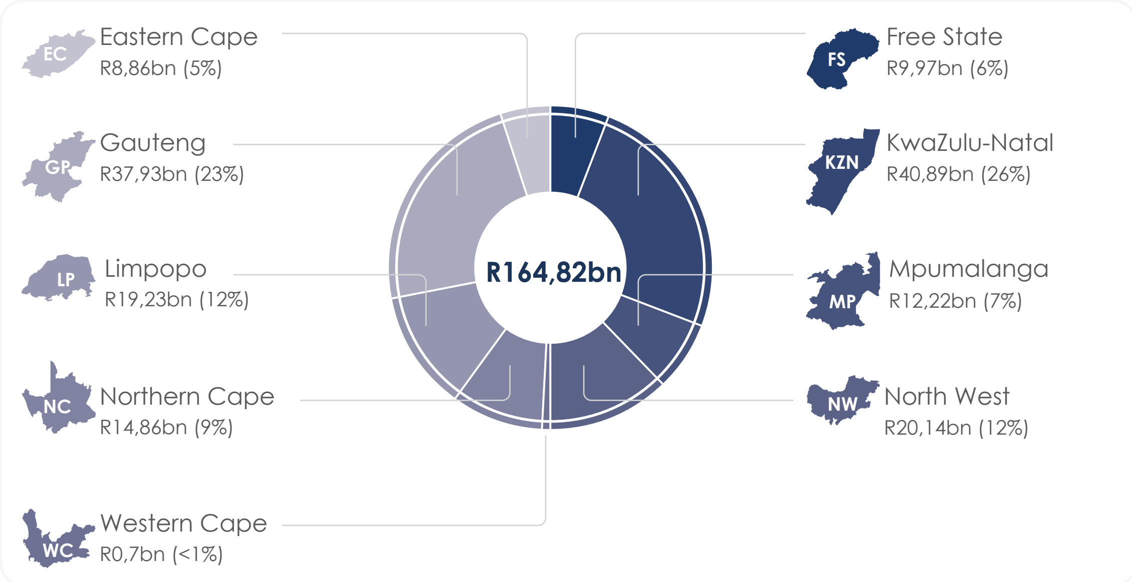
Province	No findings		Non-material findings	Material findings	
	Number	Movement from 2018-19	Number	Number	Movement from 2018-19
EC Eastern Cape	5 (24%)	Regressed	13 (62%)	3 (14%)	Improved
FS Free State	1 (6%)	Improved	10 (63%)	5 (31%)	Improved
GP Gauteng	9 (41%)	Improved	8 (36%)	5 (23%)	Improved
KZN KwaZulu-Natal	7 (37%)	Improved	7 (37%)	5 (26%)	Improved
LP Limpopo	3 (16%)	Unchanged	7 (37%)	9 (47%)	Improved
MP Mpumalanga	4 (24%)	Improved	6 (38%)	6 (38%)	Improved
NC Northern Cape	0 (0%)	Regressed	7 (58%)	5 (42%)	Improved
NW North West	2 (11%)	Slight improvement	4 (22%)	12 (67%)	Improved
WC Western Cape	6 (30%)	Regressed	14 (70%)	0 (0%)	Improved

Improved | Unchanged | Slight improvement | Regressed

Irregular expenditure

Provincial auditees incurred R164,82 billion in irregular expenditure over the administrative term – 41% of the total irregular expenditure incurred by national and provincial auditees over the period.

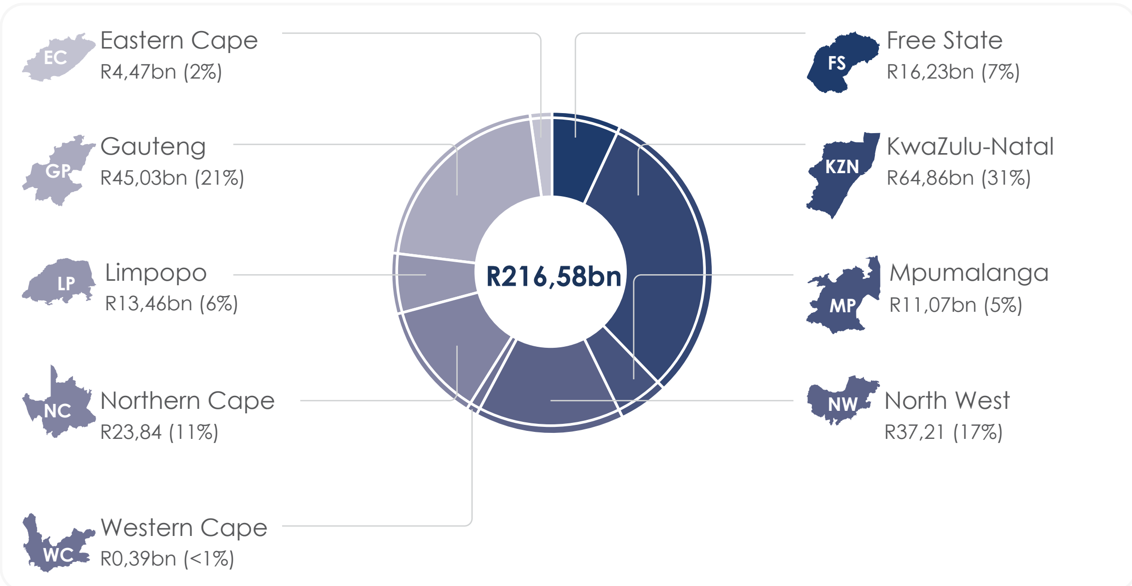
Total irregular expenditure over five years per province



Note: In terms of National Treasury Instruction Note 4 of 2022-23, auditees do not have to include irregular expenditure incurred in prior years or the closing balance of irregular expenditure in their financial statements. Therefore, the actual amounts may differ where these amounts were not disclosed in the annual report or where we did not receive the annual report before completing the audit.

The closing balance of provincial irregular expenditure that was not dealt with by end of the administration stood at R216,58 billion, or 37% of the total balance of R582,40 billion.

Closing balance of irregular expenditure per province



Financial health

The provinces continued to show signs of significant financial difficulty over the administrative term, displaying indicators of poor financial health such as fruitless and wasteful expenditure and claims against them, which erode the limited funds available to auditees.

Budget overspending by departments is classified as unauthorised expenditure while budget overspending by public entities is classified as irregular expenditure. The overspending means that auditees need to either find more money or absorb the overspent amounts, which reduces the available budget for the following years. This overspending further contributes to deficits, often resulting in auditees having to use their income of the next year to cover what they were short this year.

These financial health challenges affect the ability of auditees to deliver services and honour their commitments.

Financial health indicators in the provinces

Province	Fruitless and wasteful expenditure over 5 years	Fruitless and wasteful expenditure balance	Budget overspending over 5 years	Deficit over 5 years	Unpaid claims
EC Eastern Cape	R0,51bn	R0,49bn	R4,90bn	R20,33bn	R159,89bn
FS Free State	R0,86bn	R0,98bn	R1,75bn	R7,96bn	R26,27bn
GP Gauteng	R1,54bn	R0,74bn	-	R24,32bn	R129,53bn
KZN KwaZulu-Natal	R0,06bn	R0,23bn	R2,45bn	R21,25bn	R85,54bn
LP Limpopo	R0,20bn	R0,30bn	R0,46bn	R14,42bn	R49,64bn
MP Mpumalanga	R0,07bn	R0,07bn	R0,39bn	R3,46bn	R49,10bn
NC Northern Cape	R0,08bn	R0,23bn	R0,32bn	R6,94bn	R8,44bn
NW North West	R0,19bn	R0,33bn	R2,33bn	R5,20bn	R28,80bn
WC Western Cape	<R0,01bn	<R0,01bn	-	R0,53bn	R3,81bn

Material irregularities

We identified MIs in all of the provinces. Provincial MIs totalled 167, with the highest number of MIs being in North West, the Eastern Cape and Gauteng. The Eastern Cape, Gauteng, North West and Mpumalanga had the most unresolved MIs, while the Free State, Northern Cape and North West were the slowest to take action in response to our MI notifications and were responsible for 85% of the MIs where we had to take further action.

Status of material irregularities at provincial level

Province	Total	Resolved	Unresolved	Appropriate action taken	Appropriate action not taken – decision on invoking our powers in process	Assessment in process	Notified and awaiting response	Recommendation	Referral	Referral and recommendation	Remedial action and referral
EASTERN CAPE (EC)	30	17	13	8	3	0	2	0	0	0	0
FREE STATE (FS)	24	13	11	2	0	1	0	3	2	0	3
GAUTENG (GP)	25	12	13	12	0	1	0	0	0	0	0
KWAZULU-NATAL (KZN)	16	12	4	3	0	0	0	1	0	0	0
LIMPOPO (LP)	7	4	3	3	0	0	0	0	0	0	0
MPUMALANGA (MP)	16	4	12	5	3	1	0	3	0	0	0
NORTHERN CAPE (NC)	13	3	10	0	0	2	0	6	1	1	0
NORTH WEST (NW)	35	23	12	2	3	0	0	5	1	0	1
WESTERN CAPE (WC)	1	1	0	0	0	0	0	0	0	0	0

At a glance

The province-specific overviews that follow summarise our main insights on financial reporting, performance, compliance and consequences, as well as service delivery and infrastructure management over the administrative term, and highlight how we have used our enhanced mandate. We also reflect on what should be done by the new administration to improve the situation, and by whom; and the commitments made by those with whom we engaged prior to tabling this report.

7.2

Stable administrative leadership and strong accountability to drive improvements in performance and service delivery

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	5	11	5	0	0	0	7 ▲ 2 ▼
2023-24	9	9	3	0	0	0	

In last year's general report, we encouraged all roleplayers in the accountability ecosystem to instil discipline and accountability by implementing strong preventative controls, and we called on executive authorities to show unwavering commitment to ensuring that accounting officers adhere to these principles. We emphasised that coordinating institutions must continue to work together to strengthen the accountability ecosystem, and portfolio committees must hold departments and state-owned enterprises accountable, focusing on the effective and transparent use of state funds, and on improving service delivery.

Since the end of the previous administration's term, stable leadership has strengthened oversight, increasing the number of auditees with clean audits from five to nine, with four sustaining their clean audit status from the previous administration's term. The number of auditees with qualified outcomes also decreased from five to three during this period. Submission of good-quality financial statements improved from 13 auditees (62%) at the start of the administration to 16 auditees (76%) in 2023-24 due to proactive support by the provincial treasury.

The overall audit outcomes in the province stagnated from last year, with three auditees regressing and three improving. Three auditees regressed from clean audit opinions last year to unqualified opinions with findings in 2023-24. We raised findings on two performance indicators at the premier's office, as it did not have adequate processes for gathering and confirming the performance information it required from other auditees. We raised compliance findings at both the provincial legislature and the provincial sports, recreation, arts and culture department. The legislature did not pay its suppliers within the legislated 30 days as it implemented a policy that was not aligned to legislative requirements, while the department awarded contracts through improperly constituted bid adjudication committees because it did not properly monitor policy adherence.

The provincial transport department improved from a qualified to an unqualified audit opinion with findings, by taking adequate actions to correctly report on fruitless and wasteful expenditure. However, the department continues to incur such expenditure, indicating that the root causes remain unaddressed. Mayibuye Transport Corporation improved from a qualified to an unqualified opinion with findings by filling vacancies in the finance unit. Although the Eastern Cape Rural Development Agency improved from a disclaimed to a qualified opinion, it submitted financial statements containing numerous misstatements, indicating significant deficiencies in record keeping and the preparation of financial statements. Instability in key positions and poor management of medical claim records at the provincial health department hindered the implementation of audit recommendations on contingent liabilities, resulting in a repeat qualified opinion. The provincial education department was again qualified on immovable assets due to leadership instability, delayed action, and failure to address prior-year findings in time.

Information systems remain underutilised, and connectivity continues to be a challenge in the province. Despite the premier's office funding broadband and Microsoft licences, departments are not using these services effectively. The use of manual systems for collating and reporting on performance information contributed to the submission of poor-quality performance reports for auditing at 11 auditees (52%) in 2023-24, though this is an improvement from 13 auditees (62%) at the start of the administration. After audit adjustments, we reported findings at eight auditees (38%) in 2023-24, compared to nine auditees (43%) at the start of the administration. Weaknesses in performance planning and reporting hindered some auditees' ability to track progress on service delivery. The provincial health department reported achievements for patient safety, HIV testing and infant immunisation, which lacked evidence or were not reliable. To prompt better data verification and record management, we notified the accounting officer of a material irregularity due to the lack of systems for performance management. The department has since begun to implement some controls to improve record keeping.

The provincial education department's reported achievements lacked evidence for multiple indicators, including teachers trained in mathematics, access to early childhood development, and school infrastructure. The department also did not plan for five Medium-Term Strategic Framework indicators: three related to ensuring that 10-year-olds can read, and two related to improving children's school readiness. Curriculum implementation was further affected by a shortage of teaching and learning resources, delays in the construction of new schools, and inadequate maintenance of existing ones.

Inconsistent monitoring and oversight of key infrastructure projects by accounting officers contributed to continuing delays in project completion. The provincial human settlements department inaccurately reported on completed houses, as some were incomplete or uninhabitable. Harsh living conditions in informal settlements continue due to poor performance by implementing agents. In total, they failed to spend R99 million of the R231 million advanced to them in 2023-24, while another implementing agent returned R103 million to the department. The provincial transport department reported unreliable figures relating to the regravelling of roads. Throughout the administrative term, new and repaired roads had quality defects due to poor contractor workmanship and the department's lack of a quality management unit, further increasing the need for repairs and maintenance.

The provincial education, health and transport departments accounted for all of the R4,89 billion in unauthorised expenditure incurred over the administrative term, with the health and transport departments incurring R467,73 million in 2023-24 alone. Although medical negligence claims decreased by R2,59 billion from last year, their impact remains significant as the health department cannot fully budget for them. In 2023-24, claims of R339,93 million were paid from funds budgeted for service delivery, contributing to the department overspending its budget by R294,90 million. These claims, along with increasing employee costs and poor financial management, threaten the department's financial sustainability and hinder its ability to fill critical vacancies and procure essential medical equipment, thereby delaying improvements in primary healthcare quality. In driving accountability, we notified the accounting officer of a material irregularity due to inadequate payment practices that resulted in salary increases and backpay to medical officers who did not qualify for such.

Over the administrative term, the province incurred R514,74 million in fruitless and wasteful expenditure and recovered only R5,09 million. A total of R148,01 million was incurred in 2023-24, with the provincial human settlements, transport and health departments including R142,67 million (96%) due to interest, penalties and payments for goods not received. The irregular expenditure over the term of the administration amounted to R8,86 billion, with R2,69 billion incurred in 2023-24 alone. The human settlements department accounted for R2,08 billion of this amount, mainly due to unapproved advance payments to implementing agents. Investigations are often delayed, and appropriate disciplinary actions are not taken for fruitless and wasteful and for irregular expenditure.

Although there were fewer auditees with procurement and contract management findings at the end of the administration's term, a lack of consequence management, inadequate performance management and other non-compliance with legislation persisted, resulting in six auditees stagnating in the unqualified opinion with findings category.

Since we began implementing the material irregularity process, we have issued 30 material irregularity notifications with a combined estimated financial loss of R197,20 million. Accounting officers and authorities have resolved 17 material irregularities, strengthened internal controls, and recovered R11,99 million in losses. The accounting officer at the provincial education department took the necessary action by reporting payments for undelivered furniture to the South African Police Service, suspended the responsible employee, and initiated legal proceedings to recover the loss.

To enhance transparency and accountability, the seventh political and administrative leadership should clearly define responsibilities and performance expectations while enforcing strict oversight of financial management. They should implement robust document management and reporting systems using technology and data management, along with incorporating citizen feedback to improve service delivery. They should also attend to remaining instability at accounting officer level, streamline investigations and address the unresolved material irregularities.

The premier's office committed to intensify monitoring and evaluation, and continue to coordinate and provide support to ensure that all stakeholders work together to achieve service delivery goals.

7.3

Enhanced accountability will strengthen good governance, promote ethical culture and improve service delivery to communities

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	0	6	9	0	1	0	8 ▲ 1 ▼
2023-24	2	8	6	0	0	0	

In last year's general report, we encouraged all roleplayers in the accountability ecosystem to work together to address shortcomings and proactively deal with the challenges so that the lived realities of the people in the province would improve. We urged them to act decisively and instil a greater sense of urgency to improve the control environment; reduce material findings; promote credible performance reporting; investigate unauthorised, irregular, and fruitless and wasteful expenditure; address infrastructure challenges; and drive a sustainable change at auditees. Following our call, investigations into unauthorised, irregular, and fruitless and wasteful expenditure resulted in an overall reduction in the unauthorised and irregular expenditure closing balances, and improvements in the control environment led to fewer qualification areas.

Overall, audit outcomes have improved over the administrative term, with eight improvements and one regression. This was mainly because of administrative leadership's response in addressing prior-year material misstatements. While this positive trend is encouraging, most of the auditees continue to submit poor-quality financial statements and have become complacent, with their audit outcomes remaining unchanged at either unqualified opinions with findings or qualified opinions. This is largely due to management's slow response in addressing prior-year matters, along with a lack of concerted effort to ensure compliance with legislation and credible performance reporting.

Over the administrative term, the Free State Development Corporation has shown gradual improvement: from a disclaimed audit opinion in 2021-22 to an adverse opinion last year and finally to a qualified opinion in 2023-24. The provincial human settlements department improved from a qualified opinion to an unqualified opinion with findings. To sustain this improvement, the department must proactively implement financial disciplines, rather than solely relying on the audit process to correct identified material misstatements. The provincial community, safety, roads and transport department regressed from an unqualified opinion with findings to a qualified opinion, as management did not address our prior-year recommendations timeously.

Since 2019, we have notified accounting officers of 24 material irregularities with a combined estimated financial loss of R422,47 million. This includes three notifications we issued in 2023-24 for which we have already received responses from the accounting officers. Two of these three material irregularities relate to inadequate revenue management at the provincial sport, arts, culture and recreation department. The remaining irregularity relates to the provincial economic, small business development, tourism and environmental affairs department not implementing effective internal controls to recover transfer payments not used in accordance with the transfer payment agreement.

Accounting officers and an accounting authority have taken appropriate action to resolve 13 of the 24 material irregularities – including those relating to overpayments on housing projects and payments for goods not received. In some instances, contracts were cancelled before further losses were incurred. They have also prevented financial losses of R78,65 million, have recovered R0,67 million from third parties, and are busy recovering a further R79,26 million. We commend those accounting officers who have taken appropriate action and implemented internal controls to prevent irregularities from recurring. Where accounting officers did not take appropriate action to resolve the material irregularities, we included recommendations in the audit reports (for three material irregularities) and took remedial action (for another three) to ensure that the matters would be addressed. The new administration should continue to monitor the progress made by accounting officers in addressing material irregularities.

Over the administrative term, the quality of the submitted performance reports remained unchanged, with three auditees (21%) submitting good-quality reports. Although auditees continued to rely on the audit process to correct material findings in their final performance reports, this did not result in the desired impact as the number of auditees that published good-quality performance reports regressed from seven (50%) to six (43%). This area requires urgent attention, backed by visible action. The administrative and political leadership should establish a culture that encourages credible performance reporting, characterised by appropriate planning and reporting processes, which will ultimately ensure that much-needed services are delivered to the people in the province.

Four provincial departments (agriculture and rural development; economic, small business development, tourism and environmental affairs; human settlements; and social development) improved their cash position and are thus in a better position to fund the following year's operations. However, the provincial education and health departments remained under immense financial pressure as they relied on increasing bank overdrafts to fund their operations. Over the past five years, the two departments have incurred unauthorised expenditure totalling R1,19 billion due to overspending their budgets. The health department's long-term financial sustainability may be doubtful, as medical negligence claims increased from R4,76 billion last year to R4,98 billion in 2023-24, partly due to the lengthy claims process that requires various specialists to provide patient evaluations and finalise settlement amounts. Of further concern is the slow progress at the provincial (regional) hospitals in obtaining the ideal hospital status because critical positions at hospitals were not filled in time.

Routine infrastructure maintenance was not prioritised in the province. For example, the health and the public works and infrastructure departments allocated less than 1% of their budgets to maintenance. They did not regularly perform condition assessments to identify areas of maintenance, and then to budget accordingly.

Over the administrative term, significant challenges in infrastructure delivery were observed. Poor project planning and work quality at several projects we visited remains a concern because of the absence of approved standard operating procedures, lack of early stakeholder engagements, and inadequate skills and capacity at all key service delivery departments. This resulted in project delays and cost overruns, adding further pressure on the shrinking provincial budget, and preventing communities from fully benefitting from these investments. Emerging from the material irregularities we issued in prior years, the provincial education department took appropriate action and completed the construction of some schools in 2023-24. This reduced reliance on mobile classrooms, easing the overcrowding experienced at these schools.

Although we reported material non-compliance with legislation at 14 auditees (88%) in 2023-24, we are encouraged by the uptake in auditees' compliance with supply chain management regulations over the administrative term – from zero (0%) to 11 auditees (69%). More auditees also took steps to prevent unauthorised, irregular, and fruitless and wasteful expenditure – from zero (0%) in 2018-19 to nine (56%) in 2023-24. This resulted in the annual unauthorised, irregular, and fruitless and wasteful expenditure decreasing from R4,95 billion in 2018-19 to R1,49 billion in 2023-24. This was attributable to the coordinating institutions placing focused attention on reducing unauthorised, irregular, and fruitless and wasteful expenditure. The new administration needs to act swiftly to finalise investigations into the high unauthorised, irregular, and fruitless and wasteful expenditure, deal with the remaining balances, and implement consequence management against transgressing officials.

Despite the notable improvements in audit outcomes over the administrative term, the continuing lack of accountability and adequate consequences perpetuates a culture characterised by non-compliance with legislation and unreliable financial and performance reporting.

We call on the new administration to set the tone for accountability and shift the culture of auditees by enhancing their support and ensuring that auditees investigate unauthorised, irregular, and fruitless and wasteful expenditure, and implement consequences against those responsible. This leadership should also address infrastructure challenges by capacitating project management units with appropriately skilled officials and implementing monitoring and reporting mechanisms for infrastructure issues. The provincial treasury should continue to intensify its support to improve the control environment, which will eliminate the qualification areas. The premier's office and coordinating institutions should focus on improving the credibility of performance reports by paying special attention to performance planning, regularly monitoring performance against set targets, and taking timely corrective actions. We urge oversight and governance structures to hold accounting officers accountable for implementing audit action plans on time.

The new administration has committed to improve the control environment to reduce audit qualifications, promote credible performance reporting, address areas of non-compliance, and resolve infrastructure challenges.

We are also committed to adding value through continuous engagements with the new administration to promote an ethical culture that will improve good governance and promote service delivery across the province.

7.4

While audit outcomes are improving, strengthening institutional capability is essential for sustainable service delivery and consistent adherence to regulations

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	7	14	0	0	2	0	8 ▲ 1 ▼
2023-24	12	10	0	1	0	0	

In last year's general report, we called on leadership and oversight structures to sustain the improvement in audit outcomes by focusing on addressing non-compliance through purposeful interventions, and to evaluate service delivery models affecting key infrastructure projects. We also encouraged the premier to elevate the commitment to transparency, accountability and service delivery. We commend provincial leadership for being responsive to our call to action by sustaining an improvement in audit outcomes in 2023-24, with an increase in the number of clean audits. This was complemented by the prioritisation of incomplete and delayed infrastructure projects to address service delivery concerns. Provincial leadership should continue along the positive trajectory of good audit outcomes, a culture of sustainable improved service delivery as well as compliance with legislation, through transparent and effective monitoring and accountability.

Audit outcomes in the province improved, with the number of clean audits increasing from 10 last year to 12 in 2023-24. One auditee that was disclaimed last year moved to an adverse opinion. The g-FleeT Management trading entity and the provincial community safety department improved to clean audit outcomes due to stable and effective leadership that diligently focused on embedding good internal control disciplines in response to audit recommendations. The Gauteng Housing Fund responded to our call to action and moved out of the disclaimed space through improved record management processes. Accounting officers should continue to monitor financial control disciplines, and audit committees (supported by internal audit units and the provincial treasury) should continue to monitor audit action plans to sustain and further improve the audit outcomes.

The provincial legislature, premier's office, treasury and cooperative governance and traditional affairs department are among the auditees that have sustained their clean audit status, showing their ability to account transparently. From the last year of the previous administration, there has been a gradual improvement in the quality of financial statements submitted for auditing, due to basic financial disciplines being embedded and internal audit units and audit committees performing reviews. Of the 14 auditees with unqualified audit opinions with findings in 2018-19, three have stagnated on this audit outcome, due to reliance on the audit process to publish good-quality financial statements. We urge the new administration to drive good disciplines while sharing best practices that will institutionalise good controls to prepare financial statements of the required quality.

The province sustained the overall good quality of published performance reports at 18 auditees (78%), similar to the previous year, which is an improvement from 14 auditees (61%) in the last year of the previous administration. From nine auditees with material findings on performance reporting in 2018-19, four auditees continued to struggle with this area in 2023-24. We urge leadership to strengthen controls to improve the credibility of performance reports, respond promptly to recommendations through audit action plans, and deal with poor performance through effective accountability processes.

We visited key projects of the main service delivery departments and are encouraged that some of the projects that were delayed in prior years had been completed and commissioned for use. This was due to improved project management disciplines to proactively oversee, monitor and address challenges, in response to prior-year audit recommendations. For example, the accounting officer at the provincial infrastructure development department implemented action plans to resolve the material irregularity at the provincial education department's Mayibuye Secondary School that has since been completed and commissioned for use. The infrastructure development department also implemented corrective action to address previously reported delays in the refurbishment of Thusanong House and the project has since been completed. The provincial human settlements department properly managed the John Dube mixed housing development project, as evidenced by good integrated planning and monitoring. The provincial health department commissioned for use the previously completed Mandisa Shiceka Clinic and repurposed the 300 ICU beds that were not in use at the Dr Geoge Mukhari Hospital to deal with overcrowding at the hospital. At the provincial roads and transport department, construction of Road K69 reached practical completion, and the road was opened for use reducing traffic congestion.

We urge provincial leadership to draw inspiration from the best practices on the completed projects and strive to complete infrastructure projects on time, within budget, and with good workmanship. This will further assist in dealing with delays in the completion of some projects, including the Mayibuye Clinic and Randfontein Community Health Centre. We encourage provincial leadership to improve capability in their planning, interdepartmental and intergovernmental coordination processes while continuing to prioritise, monitor and track infrastructure projects to deal with the ongoing project management deficiencies.

The number of auditees with non-compliance findings has decreased from 70% in the last year of the previous administration to 48% in 2023-24 due to improved controls at some auditees. The most common findings were in the areas of procurement and contract management, expenditure management and consequence management. The irregular expenditure in the province remains high as the amount incurred in 2023-24 of R7,9 billion increased compared to R7,13 billion incurred in the last year of the previous administration. The increase in irregular expenditure is due to non-compliance with supply chain management regulations, mainly at the provincial human settlements department, where irregular expenditure incurred in prior years was identified and disclosed in 2023-24. Leadership should continue to strengthen compliance monitoring and preventative controls to further reduce instances of non-compliance. Leadership and oversight structures also need to strengthen consequence management processes by promptly investigating irregular expenditure and taking corrective action in line with the National Treasury's compliance and reporting framework.

Since we began implementing our expanded powers, we have issued notifications for 25 material irregularities linked to various instances of non-compliance in the province, with a total estimated financial loss of R1,36 billion. Financial losses of R207,3 million have been prevented while R495,4 million is in the process of being recovered. The material irregularity process continued to gain traction as most accounting officers have taken, or are busy taking, corrective steps. These include attending to incomplete infrastructure projects, conducting investigations, improving internal controls, instituting disciplinary processes, recovering funds and preventing further harm to the general public. For example, accounting officers at the provincial human settlements and health departments improved their monitoring of performance against set targets which enhanced the quality of their reporting. The accounting officer at the provincial education department applied for and obtained a certificate of acceptability, developed new guidelines, and revised the school nutrition programme policy for compliance by all participating schools. The accounting officer at the provincial infrastructure development department appointed contractors to complete construction of Nancefield Primary School and Khutsong South Clinic. Oversight and governance structures should continue to monitor the implementation of actions by accounting officers to ensure that all active material irregularities are promptly resolved, and that new ones are proactively prevented.

The province's financial health remains at risk as legal claims (potential payment obligations) continued to pose a financial sustainability threat, even though the balance has decreased from R23,15 billion in the previous year to R19,07 billion in 2023-24. The provincial health department accounted for 70% of this amount, with 64% arising from medical negligence claims, while paying the highest in the country. Provincial leadership should continue to monitor the financial health of auditees to ensure that the province remains viable considering the commitment made to the outstanding e-toll debt.

The tone set by provincial leadership in elevating good governance and transparency with improved audit outcomes is yielding results. In response to our previous recommendations, the premier established an infrastructure workstream to attend to service delivery challenges and strengthened processes to promote institutional integrity within the province. We encourage the premier to closely monitor these initiatives to deal with any remaining challenges. The provincial legislature should continue to strengthen the monitoring and evaluation of house resolutions, as well as the quarterly oversight processes over both departments and local government. We urge coordinating institutions to continue focusing on initiatives that aim to improve accountability and transparency at local government level. Overall, the province is making some progress, and the premier is encouraged to strengthen institutionalised capability, focusing on people, processes and technology, and to prioritise transparent and effective monitoring and accountability for sustainable service delivery.

7.5

Act with urgency to address financial viability and improve accountability and service delivery

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	5	9	6	0	0	0	10 ▲ 3 ▼
2023-24	10	9	2	0	0	0	

Despite a slight regression in audit outcomes from last year, there has been an overall improvement in financial management, performance reporting and compliance with legislation in the province since the last year of the previous administration. Leadership and senior management have shown increased focus on achieving clean administration, with 10 auditees (48%) receiving a clean audit in 2023-24 compared to five (25%) in 2018-19. While this progress is encouraging, persistent delays in service delivery and the development of critical infrastructure remain concerning. Last year, we recommended adopting a zero-tolerance approach to poor performance and strictly enforcing compliance with legislation and consequence management at all levels to address poor outcomes and service delivery challenges, but limited progress has been made to address these challenges.

The province's key service delivery departments of health and transport improved from qualified audit opinions in 2018-19 to unqualified opinions with findings by 2023-24. The collaboration between accounting officers, senior management and the provincial treasury played a crucial role in this improvement, particularly in the health department's asset methodology revision and the transport department's accurate disclosure of traffic fines. However, both departments continue to face challenges with compliance, as officials are not consistently held accountable for transgressions. The other big service delivery department, education, regressed to a qualified opinion in 2023-24 due to senior management's slow response to previous findings on non-compliance with supply chain management prescripts and the subsequent incorrect quantification of irregular expenditure relating to contracts.

Despite these setbacks, many of those auditees that have consistently received unqualified opinions with findings throughout the administrative term are displaying a commitment to clean administration. For example, the provincial public works department had only one material compliance finding, which involved late payments to suppliers, while the provincial community safety and liaison department decreased its material findings to only one relating to consequence management.

The provincial treasury has maintained its clean audit status over the administrative term through effective leadership, institutionalised internal controls and stability in key positions. Together with the premier's office, the treasury also helped other departments to improve their audit outcomes. However, increased focus is needed at departments struggling to improve their negative audit outcomes and achieve service delivery objectives. The provincial legislature's portfolio committees and the premier's office must intensify their reviews of departments' performance plans and budgets, focusing on projects not being completed (including how budgets are used) and the failure to meet key performance targets.

Over the administrative term, the quality of financial statements and performance reports submitted for auditing has improved significantly: 86% of auditees provided good-quality financial statements in 2023-24 compared to 50% in 2018-19; and 63% of auditees provided good-quality performance reports in 2023-24 compared to 17% in 2018-19. Compliance with legislation also improved, with 52% of auditees having material compliance findings in 2023-24 compared to 75% in 2018-19. We commend the previous administration for responding to our recommendations to establish strong leadership and implement internal control systems that improved the credibility of financial and performance reporting as well as compliance with prescripts that relate to financial and performance management.

The provincial health and education departments continued to struggle to reliably report on their performance. We could not substantiate the achievements reported by the education department due to inadequate documentation and inadequate controls to verify the reported outcomes. The department also did not include some key Medium-Term Strategic Framework indicators in its performance plan, citing budget constraints. The absence of these indicators affects the department's ability to monitor performance and meet citizen expectations. The health department faced challenges with poor record keeping, reliance on manual processes, and non-compliance with its own standard operating procedures for verifying achievements. These issues stem from decentralised operations and vacancies at some locations. The weaknesses at these departments hindered the transparency and tracking of service delivery achievements.

Critical infrastructure projects continued to be marred by quality defects and delays; poor coordination among departments, contractors and municipalities due to vacancies; and limited accountability for officials and contractors. For instance, the Umbulwane community in Ladysmith is still without proper housing 20 years after the start of an RDP housing project, due to delays in obtaining funding for the acquisition of land, and a lack of coordination between the roleplayers responsible for the completion and connection of bulk infrastructure. The provincial cooperative governance and traditional affairs department should intervene between the provincial human settlements department and local municipalities to ensure that clear responsibilities are agreed to upfront. Existing infrastructure was also not adequately maintained due to insufficient maintenance planning and a lack prioritisation of budgets for maintenance projects. Inspections of schools and hospitals revealed deteriorating infrastructure, such as collapsed ceilings and non-adherence to fire-safety and electrical compliance requirements, which placed learners' and patients' safety at risk. The province is not fully ready to manage disasters due to outdated disaster response plans, insufficient funding, poor communication and inadequate infrastructure maintenance. The new administration should focus on addressing infrastructure failures, improving disaster management readiness, and enforcing accountability for all roleplayers.

Service delivery and operations are also affected by auditees struggling with cash-flow management and financial sustainability. For instance, the provincial education department is increasingly dependent on overdraft facilities, with the amount rising from R955,28 million in 2022-23 to R1,35 billion in 2023-24. Eight departments (62%) reported an accrual-adjusted deficit totalling R6,89 billion, and nine (69%) faced cash shortfalls. The financial strain was further compounded by avoidable losses, including R275,57 million in estimated financial losses identified through the implementation of the material irregularity process, claims (including medical negligence claims) of R6,01 billion, and fruitless and wasteful expenditure totalling R13,93 million. Despite budget cuts, departments did not regularly review or adjust their spending, which has led to a rise in unauthorised expenditure. Without stronger oversight and improved budget discipline, these financial issues will only intensify. Accounting officers need to recover financial losses as reported through the material irregularity process and prevent future financial losses from occurring, as well as address the root causes of legal claims.

While auditees' compliance with legislation improved over the administrative term, key departments still did not enforce proper consequence management. Some departments failed to conduct investigations or to hold officials accountable for unwanted expenditure. By the 2022-23 year-end, unresolved irregular expenditure totalled R60,33 billion compared to R41,51 billion in 2018-19, due to incomplete evidence to support condonations and write-offs. Senior management, assisted by the provincial treasury, has strengthened supply chain management controls over the administrative term, leading to a reduction in the annual irregular expenditure incurred, from R12,33 billion in 2018-19 to R5,48 billion in 2023-24.

The material irregularity process is driving positive change, with accounting officers having resolved 12 of the 16 material irregularities reported since we began using our expanded powers, as well as strengthening internal controls and taking disciplinary action against those responsible for the irregularities. For instance, at the provincial agriculture and rural development department, the accounting officer addressed payments made on a project for which services were not received by improving controls and opening a case against the responsible supplier and official to enable recovery of losses amounting to R1,27 million (which is still ongoing).

We urge administrative leadership and senior management, supported by internal audit units and audit committees, to proactively strive to meet performance targets; improve infrastructure management; and enforce stronger monitoring controls over financial, performance and compliance reporting. To achieve clean administration and deliver reliable and good-quality services across the province, key vacancies should be filled, consequence management should be enforced, and financial resources should be used efficiently. The new political leadership can promote accountability by regularly monitoring progress towards goals and ensuring service delivery. Coordinating institutions must consistently evaluate the effectiveness of their support, hold leadership accountable for underperformance, and provide oversight to those departments struggling with infrastructure and performance issues.

The 7th administration has committed to prioritise service delivery targets, particularly in the delivery of infrastructure projects and addressing challenges that have resulted in poor outcomes. This approach will help auditees to fulfil their mandates and improve the quality of life of the citizens in the province.

7.6

Improvement in audit outcomes not translating into improved service delivery due to significantly delayed key projects

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	1	11	7	0	0	0	7 ▲ 1 ▼
2023-24	6	8	5	0	0	0	

Last year, we reported a repeat regression in the audit outcomes and raised concerns about the premier`s office and provincial treasury as coordinating institutions being among the regressed auditees. We urged the provincial legislature to enforce drastic actions against auditees that do not improve their financial and performance management. We also recommended that executive authorities and accounting officers lead from the front and demonstrate a sense of duty to improve financial and performance management and compliance with legislation.

In 2023-24, the province recorded an improvement in audit outcomes compared to the last year of the previous administration, with six auditees (including the premier`s office and provincial treasury) achieving a clean audit outcome, compared to only one in 2018-19. Two of these auditees had retained their clean audit status from last year. The improvement is attributable to the auditees implementing sound financial and performance disciplines throughout the financial year. Four auditees stagnated on an unqualified opinion with findings over the administrative term. Auditees that did not achieve clean audits do not have appropriate action plans to address prior-year matters and continue to rely on the audit process to publish good-quality financial statements.

The quality of submitted performance reports declined as auditees also continued to rely on the audit process to deliver credible performance reports. In 2023-24, only five auditees (26%) submitted credible performance reports, compared to six auditees (32%) in 2018-19. When performance reports contain material flaws, this weakens monitoring processes and management is unable to take appropriate action to improve service delivery. Some auditees failed to meet key service delivery targets, a culture on which we also reported last year.

Although auditees' compliance with legislation has improved over the administrative term, it remains a challenge with 13 auditees (68%) receiving material compliance findings in 2023-24. Nine auditees had material findings on procurement and contract management, mainly due to not following proper procurement processes, compared to 13 auditees (68%) in 2018-19. Procurement findings also contributed to the R19,24 billion in irregular expenditure incurred over the administrative term. Although some auditees conducted investigations into irregular expenditure and R7,04 billion was dealt with in 2023-24, there are significant delays between when investigations are started and concluded, and when consequences are implemented. Failure to act timeously on transgressions brings about a trust deficit, lack of decisiveness and compromised accountability.

Over the administrative term, the province incurred R201,33 million in fruitless and wasteful expenditure, of which R52,11 million was incurred in 2023-24. More than half of the 2023-24 amount was due to payments made for project standing time stemming from poor project coordination practices at the provincial public works, roads and infrastructure department. Transgressions will continue to occur unless provincial leadership gets closer to the projects and consequence management is implemented to deter poor performance.

Three public entities (Corridor Mining Resources, Great North Transport and Gateway Airport Authority Limpopo) experienced financial difficulty and are not able to meet their financial obligations when they become due, as evidenced by an average creditor-payment period of over 100 days. The R10,59 billion in claims against departments, including R9,88 billion in medical negligence claims against the provincial health department, puts further pressure on the province's financial health.

Last year, we reported on the significant delays in the construction and completion of Lemana College by the provincial public works, roads and infrastructure, and education departments, citing serious vandalism and negligence. The delay in completing the project has now increased to approximately nine years, resulting in learners being deprived of a conducive learning environment. The facility continues to deteriorate, and vandalism by the community has resulted in damages of an estimated R3,41 million. This puts pressure on the fiscus as additional funds will be required for repairs.

Another infrastructure issue facing the province is that of pit toilets, which pose a major safety hazard and violate the right to sanitation, health, dignity and privacy. The drowning of a five-year-old pupil in a pit toilet at a Limpopo school in 2014 resulted in the court ordering the provincial education department to eradicate these toilets at schools. The department reported in its progress status as at April 2024 that it had completed construction of new toilets at 516 (91%) of the 564 schools classified as priority 1 schools with inappropriate sanitation, while the remaining 48 schools were still in the design, tender and construction phases – nearly a decade after the incident.

Since we began using our expanded mandate, we have issued notifications for seven material irregularities in the province. These irregularities related to non-compliance with legislation and resulted in an overall estimated financial loss of R119,15 million. By 31 August 2024, four of the seven material irregularities had been resolved, financial losses amounting to R3,71 million had been recovered, and consequences were implemented. We are encouraged that accounting officers and authorities are taking appropriate action to resolve irregularities. In 2023-24, one material irregularity, related to a routine road maintenance contract awarded to a supplier that did not score the highest points, was resolved at the provincial public works, roads and infrastructure department. The accounting officer investigated the material irregularity and instituted disciplinary action based on the outcome of the investigation. The implicated officials were sanctioned with a one-month suspension from work without pay and a final written warning.

We also commend the swift and decisive action by Roads Agency Limpopo in taking its responsibility seriously to ensure losses to the fiscus are recovered. The entity had made duplicate payments of R7,15 million for the designs to upgrade a road. The consulting engineer on the project acknowledged and agreed to issue a credit note for the duplicate payments. The corrective action was taken before we issued a material irregularity and will help to prevent future losses.

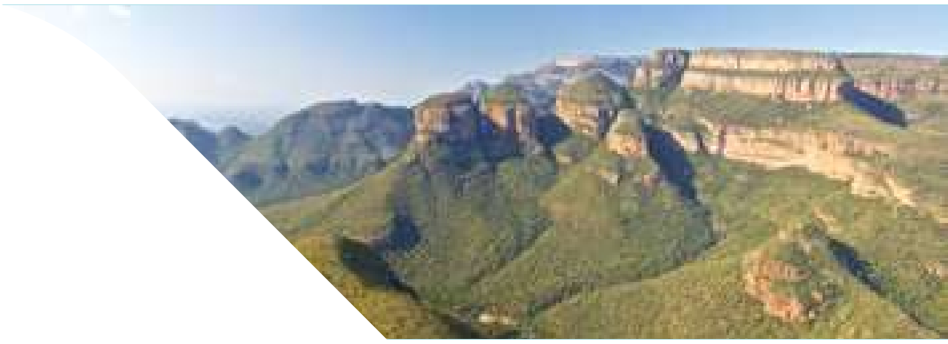
Portfolio committees did not review quarterly performance reports timeously, which delayed accountability, particularly their implementation and tracking of resolutions. The provincial legislature, premier`s office, treasury and cooperative governance, human settlements and traditional affairs department must strengthen their support to provincial government to improve financial and performance management with the aim of improving service delivery and achieving key targets.

The provincial legislature and executive council members of the coordinating institutions demonstrated meaningful collaboration, which contributed to the improved audit outcomes. The provincial treasury and cooperative governance, human settlements and traditional affairs department continued to support and capacitate municipalities with adequate finance skills by providing training in supply chain management and financial reporting and by training internal audit units.

The internal audit units and audit committees of most auditees were effective and had a positive impact on outcomes. Accounting officers should prioritise the implementation of their recommendations to further improve the control environment and outcomes of auditees.

To improve service delivery, we call on the new administration to prioritise filling vacancies at head of department level, and on accounting officers to ensure that budget spending is reasonably aligned to achievement of at least 80% of approved targets. The premier and the member of the executive council for finance should monitor the implementation of turnaround strategies for financial recovery at struggling entities, while portfolio committees must monitor the commitments made by the executives. The new administration should create a culture and discipline of effective monitoring of key service delivery infrastructure projects in line with the call by the premier. The timely completion of key projects will aid in improving service delivery, thereby bettering the lives of the people in the province.

7.7



Effective oversight and strengthened institutional capacity are urgently required to improve service delivery

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	2	10	4	0	0	0	5 ▲ 1 ▼
2023-24	4	10	2	0	0	0	

At the beginning of the 6th administration's term, we called on provincial leadership to strengthen internal capacity and ensure accountability by enforcing meaningful consequences. In addition, we have consistently challenged all stakeholders within the accountability ecosystem to fulfil their roles and work together to find sustainable solutions in the four key areas we have emphasised throughout the administrative term, namely implementing effective preventative controls; strengthening the state of financial health; effectively planning and managing infrastructure projects; and complying with legislation, especially as it relates to procurement and consequences.

Provincial leadership committed to improving audit outcomes, accountability and service delivery in response to our messages. The overall audit outcomes improved (five improvements and one regression) and the submission of credible financial statements improved from four auditees (25%) in 2018-19 to nine auditees (56%) in 2023-24. Concerns remain on the key service delivery departments of education, health, human settlements and public works, roads and transport, which account for 82% of the provincial budget. These departments have not fully implemented the necessary preventative measures, corrective action and consequences for lapses. Despite efforts by the provincial legislature and coordinating departments (premier's office and provincial treasury), sustainable solutions are still lacking and provincial leadership has not fully implemented prior-year commitments. The people in the province are yet to experience significant improvements in service delivery because of the continuing lack of accountability in all four key areas.

In 2023-24, the audit outcomes stagnated as one improvement was offset by a regression. The provincial human settlements department improved from a qualified to an unqualified opinion with findings, with support from the provincial treasury, while the provincial agriculture department regressed from a clean audit to an unqualified opinion with findings as it did not adequately review its financial statements. The outcomes of most auditees (56%) have remained the same, either as unqualified with findings or qualified, largely due to instability, vacancies in key positions, and provincial leadership's failure to address previous warning signs and establish robust financial controls.

The number of auditees that submitted and published good-quality performance reports improved over the administrative period. This improvement was due to the provincial monitoring and performance evaluation unit within the premier's office annually reviewing performance plans and quarterly reviewing performance reports. Some departments still did not publish credible performance reports, which would make it difficult for the users of these reports to make informed decisions and to hold the provincial government accountable for unfulfilled service delivery promises.

The provincial health department continued to struggle to improve the operational conditions within hospitals, because of a shortage of health professionals and some critical medicine. Visits to Sabie and Middelburg hospitals highlighted critical issues, including poor stock management, lack of essential supplies and equipment, and understaffing, which have increased patient waiting times and compromised the quality of healthcare. The department accounted for R5,88 billion (88%) of the year's total claims against the state totalling R6,67 billion due to allegations of medical negligence and malpractice. Over the past five years, R350 million intended for healthcare improvements was instead directed towards these claims. We notified the accounting officer of a material irregularity concerning insufficient staffing but received no response, prompting us to include an audit report recommendation for corrective action.

The province urgently needs to strengthen financial management controls to improve its financial health as some auditees had concerning financial indicators, raising doubt about their future service delivery capacity. Several auditees overspent their budgets, resulting in a combined deficit of R1,22 billion across seven auditees (44%), with the provincial community safety, security and liaison department incurring unauthorised expenditure of R92,70 million. Under the previous administration, R66,65 million was lost to fruitless and wasteful expenditure. Although some progress has been made to investigate the fruitless and wasteful expenditure, only 3% (R2,23 million) of these funds have been recovered or are in recovery, with 49% (R32,55 million) being written off as irrecoverable.

Revenue-generating departments and entities continued to struggle with debt management and collections, affecting their self-sufficiency and contributions to the provincial fiscus. Rather than prioritising revenue recovery, they frequently wrote off uncollected funds, with approximately 48% of provincial receivables deemed irrecoverable. On average, it took departments and entities 220 days to collect outstanding funds. Both the Mpumalanga Regional Training Trust and the Mpumalanga Economic Growth Agency have reported financial sustainability uncertainty, underscoring the need for focused efforts to unlock their revenue potential.

Poor financial and project management practices (such as inadequate planning, budgeting and monitoring) have hindered service delivery, particularly in infrastructure projects. Some projects remain incomplete due to the reprioritisation of funds, while new projects are launched without ensuring that funds will be available to complete them. The provincial public works, roads and transport department is the primary agency for infrastructure procurement and implementation in the province. The department faces significant project management challenges, relying heavily on consultants due to limited internal capacity. Despite prior commitments to address these issues, provincial leadership's inaction has led to project delays, payments for incomplete work, and substandard infrastructure. We notified the department's accounting officer of a material irregularity for prepayments made that were not utilised on a project and the matter has been referred to the Special Investigating Unit for further investigation. The new provincial leadership has since pledged to address these deficiencies.

Accounting officers and authorities have failed to establish effective compliance monitoring, resulting in material non-compliance at 11 auditees (68%). The provincial public works, roads and transport department is central to these issues, particularly when it comes to supply chain management weaknesses, and is the province's largest contributor to irregular expenditure. The department was responsible for R972,14 million (48%) of the R2,01 billion total in 2023-24. Coordination and planning lapses between the public works and user departments have led to inadequate competitive bidding processes. Irregular expenditure investigations remain significantly delayed, with a R9,06 billion backlog, undermining accountability and fostering a culture of legislative disregard.

Since we began implementing our expanded mandate, we have reported 16 material irregularities to accounting officers and authorities in the province, totalling an estimated financial loss of R488,92 million. These material irregularities are at various stages of resolution, with efforts underway by some accounting officers and authorities to address them. However, accounting officers' responses are not always sufficiently backed by supporting information, causing delays. We briefed the 7th administration on these material irregularities, urging them to enforce accountability among accounting officers and authorities to resolve the current irregularities and strengthen controls to prevent future occurrences.

We have noted some encouraging interventions by the new provincial leadership, such as the filling of accounting officer positions. However, to drive a culture shift and substantial service delivery improvements in the province, provincial leadership should focus on implementing effective preventative controls, enhancing financial health, strengthening internal capacity to manage infrastructure projects efficiently, and ensuring compliance, especially with procurement legislation. Key service delivery departments require intentional and urgent action from all accountability stakeholders, especially those directly overseeing service delivery. The premier should sign performance agreements with all members of the executive council to foster a culture of performance, accountability, transparency and institutional integrity across the province.

7.8

Strengthen accountability and effect consequences to improve service delivery

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	2	6	3	0	0	0	5 ▲ 1 ▼
2023-24	6	3	3	0	0	0	

The highlights over the term of the 6th administration were a notable increase in the number of clean audits, improvements in the area of compliance with legislation, and an improvement in the quality of submitted financial statements. These improvements can be attributed to the work done by the operation clean audit committee led by the premier. The work of this committee focused on the monitoring of audit action plans, with the premier calling executives and accounting officers to account for their audit outcomes. Another positive is that no unauthorised expenditure was incurred in the 2023-24 financial year, compared to R50,95 million in 2018-19. This was due to the provincial treasury implementing proper budget management controls.

The improvement in the number of clean audits is likely to be sustainable because they are backed by good internal controls and a culture of monitoring and review. Although there was an increase in the number of clean audits, these were mostly achieved by smaller and oversight departments. While we acknowledge the good work that was started by the 6th administration, we encourage the 7th administration to replicate the good practices already established, find ways to focus on the three largest service delivery departments (health, education and public works), and respond to the challenges still facing the province.

Our message in the previous general report centred on accountability, and we urged coordinating institutions to focus on those departments that received qualified audit opinions. We highlighted the need for a culture of consequence management to be embedded at these departments and recommended an increased focus on service delivery that will have a direct impact on the quality of life for the people of the province. These messages were not fully heeded, and focused attention is required to improve performance, accountability, transparency and institutional integrity, especially at the largest service delivery departments.

The largest service delivery departments in the province (health; public works; and agriculture, environmental affairs, rural development and land reform) were qualified in 2023-24. These departments have been challenged by leadership instability, numerous non-compliance issues and poor record keeping, resulting in the required information, especially on disclosure notes, not always being available when requested. We urge the premier to bring stability to these departments, while the executive council member for finance – supported by internal audit units and audit committees – needs to assist the departments to address the challenges on disclosure notes and non-compliance with legislation.

Although there was an overall improvement in the financial health of the province over the term of the administration, some critical indicators including the creditor payment period regressed. Most of the R87,27 million in fruitless and wasteful expenditure incurred over the administrative term was due to these poor creditor-payment practices. This was particularly evident at the three largest service delivery departments, where the creditor-payment period increased from an average of 67 days in 2018-19 to an average of 111 days in 2023-24. This increased the pressure on service providers due to cash-flow constraints and resulted in many projects being delayed, often for extended periods. Claims against departments put further strain on the provincial purse. By the end of 2023-24, claims against the provincial health department amounted to R572,82 million, mostly due to medical negligence. The leadership of this department, together with the operation clean audit committee, should undertake a diligent risk assessment and formulate preventative controls to prevent avoidable losses. In addition, the legal unit of the department should implement strategies to reduce medical negligence claims. This may include training of doctors and nurses and the settlement of claims out of court to reduce legal costs.

As in 2018-19, five departments had material findings on their performance reports in 2023-24. This was due to weaknesses in performance planning and reporting processes and an overall poor control environment. The premier's office did not effectively review and monitor departments' performance plans and reports, and departments did not heed our early-warning calls to attend to the completeness of performance indicators. Performance units were in some cases not capacitated and this contributed to poor record keeping. As a result, only half of the departments (50%) submitted good-quality performance reports for auditing in 2023-24. We acknowledge the extensive strides that the provincial health department has made to address its record management challenges and reduce its material findings in relation to its performance report. However, the department did not include the required indicator relating to ideal clinics in its performance plan. The provincial education department also did not include all relevant indicators in its planning documents. The premier, legislature, executive council members and accounting officers should pay more attention to ensuring the accuracy and completeness of information that supports performance.

Departments' compliance with legislation improved over the administrative term. While the number of departments with material compliance findings decreased from nine to six during this period, the fact that six departments (50%) still had compliance findings is of concern. The top three areas in which compliance findings were raised related to consequence management, prevention of irregular and fruitless and wasteful expenditure, and procurement and contract management. Compliance with consequence management requirements was particularly problematic, with all six departments having material findings in this area. Internal audit units and audit committees should focus on improving internal controls and assist these departments to implement processes that will ensure that proper investigations take place.

Irregular expenditure also increased, with departments reporting that they had incurred a total of R4,59 billion in irregular expenditure in 2023-24. The bulk of this irregular expenditure, amounting to R3,67 billion, was incurred by the provincial health department due to payments to employees whose qualifications had not been verified and because of payments being approved without delegations of authority being in place. The premier needs to ensure that an intentional effort is made to bring leadership stability to this department, and the provincial portfolio committee on health should improve it oversight by making and tracking resolutions that will decrease irregular expenditure.

Since we began implementing our expanded mandate, we have issued 13 material irregularity notifications linked to various instances of non-compliance in the province, with a combined estimated financial loss of R125,95 million. Ten of these material irregularities have not been fully resolved. Accounting officers do not always respond to our notifications timeously and we sometimes struggle to obtain information to support the responses we do receive. This results in delays in resolving material irregularities and executive authorities must insist on progress updates to ensure that accounting officers are diligently and effectively implementing the actions to which they have committed. Involving internal audit units in tracking material irregularities and having audit committee meetings focus on material irregularities will help improve the responsiveness of accounting officers.

Critical infrastructure projects in the health, education, human settlements, and roads and public works sectors were not always adequately monitored over the term of the administration to ensure that they stayed within the project timelines and amounts outlined in contracts. Poor planning and coordination, sub-standard work quality and significant delays on infrastructure projects are slowing down the delivery of consistent and good-quality services to the people of the province. Some projects were delayed because of ineffective planning, inadequate interdepartmental coordination and a lack of accountability to implement contract management disciplines. We notified the accounting officer of the provincial roads and public works department of two material irregularities on a project for the rehabilitation of a road. The contract of a second contractor on the project was terminated after they abandoned the site, and we urge the accounting officer to swiftly implement our recommendations to fully resolve the material irregularities.

Coordinating institutions play an important oversight role and have committed to enhance this role by implementing interventions that will assist struggling departments to address historical audit findings, pay special attention to material irregularities, and improve the quality of their performance plans and reports. Several commitments by oversight structures over the administrative term have not had the desired impact, negatively affecting service delivery – progress on these commitments should be tracked for them to start bearing fruit.

Some improvements were realised over the term of the 6th administration and we stress the importance of creating a culture of accountability and consequences to the 7th administration. We welcome the commitments recently made by provincial oversight departments and the legislature to focus on improving oversight in the province (for example, departments are now required to provide quarterly feedback on action plans to the premier). These commitments cover many key matters that departments are struggling with, including vacancies in key positions, repeat audit findings, material irregularities and infrastructure project weaknesses.

The new administration also needs to ensure that credible financial and performance reports are prepared and that service delivery receives the required attention. As we have recommended to provincial oversight structures, there needs to be an increased focus on struggling service delivery departments to bring real change to the people of the province.

7.9

Audit outcomes have improved, but service delivery requires robust oversight and accountability to ensure continued progress

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	1	3	7	0	7	0	11▲ 1▼
2023-24	3	10	1	1	3	3	

The tenure of the 6th administration was a term of emerging trends of new clean audits, more financially unqualified audit outcomes with findings, and fewer disclaimed audit opinions. These improvements are a culmination of the responses to our previous messages to key roleplayers, such as urging executive authorities of various portfolios and accounting officers to collaborate in fostering a culture of accountability to improve audit outcomes and service delivery. The provincial leadership was also urged to effectively monitor preventative controls and enhance accountability. Three auditees (provincial treasury, legislature and arts, culture, sports and recreation department) maintained or achieved clean audit outcomes, reflecting improved governance, better financial and performance controls, and adherence to key legislation. These improvements can largely be attributed to the province's clean audit strategy supported by the provincial treasury and the section 100 interventions where the administrator's brought stability to some departments by overseeing the appointment of heads of department and other senior managers. The institutional capacity requires further improvements since most departments continue to rely on the audit process to correct errors. The new administration is urged to continue the focus on internal control disciplines and prudent spending on service delivery initiatives.

The welcomed trend of improvements in audit outcomes allows the accountability ecosystem roleplayers to ensure that these improvements bring about positive change to the people in the province. The provincial community safety and transport management department, for example, could not demonstrate this alignment: although the department's audit outcome improved, it failed to provide safe and reliable scholar transport due to overcrowded buses that were in poor condition. The department should work together with the provincial education department to urgently address the service delivery challenges in scholar transport management.

The audit outcomes of three public entities regressed from last year (GL Resort, Golden Leopard Resort, and North West Development Corporation). This was mainly due to inadequate in-year monitoring controls and a lack of financial records as records were destroyed in a fire at Manyane Resort, which affected the Golden Leopard Resort Group. In addition, North West Parks Board and North West Tourism Board that both received a qualified opinion in 2018-19 merged into one entity and received a disclaimed opinion in 2023-24. The executive authority for economic development, environment, conservation and tourism has a responsibility to exercise oversight and monitor the operational effectiveness of these entities under her ownership and control. The provincial treasury continued to assist the North West Transport Investment Group (Atteridgeville Bus Services, North West Star and North West Transport Investments) to address the five-year backlog in submitting financial statements. The provincial treasury has completed the review of the 2019-20 set of financial statements, which is awaiting the accounting authority's sign-off, after which the 2020-21 financial statements will be prepared.

The provincial government continues to fail to deal with procurement and contract management issues, the culture of no consequences, and the non-prevention of unauthorised, irregular, and fruitless and wasteful expenditure. This has resulted in a continuous increase in the irregular expenditure balance over the administrative term from R25,67 billion in 2018-19 to R37,21 billion in 2023-24. Progress in addressing these balances remained slow, but some departments (premier's office; arts, culture, sports and recreation; and community safety and transport management) addressed a significant part of their irregular expenditure, and others (such as human settlements and health) have established loss-control committees to investigate irregular expenditure. The continued support of the provincial treasury and strategic partnerships will be key in curbing non-compliance and ensuring that service delivery and audit outcomes continue on a positive trajectory.

The financial health of most public entities in the province remained poor over the administrative term and they were unable to fund their operations and execute their mandates, as they did not manage their finances prudently. Some parent departments continued to transfer funds without diligently monitoring how the struggling entities were spending the money received. For example, the provincial economic development, environment, conservation and tourism department had to bail out the North West Development Corporation following poor revenue collection so that the entity could pay its creditors on time. There was also a noticeable lack of careful spending at two of the big service delivery departments (health and education). They again incurred unauthorised expenditure in 2023-24, totalling R151,86 million at the education department because of not adequately budgeting for teacher salaries and R73,23 million at the health department due to continuing overspending on an underfunded organisational structure.

Unreliable performance reporting remained an obstacle to effective service delivery. Despite an improvement over the term, eight auditees submitted performance reports that were not credible in 2023-24. To address this, auditees will have to diligently plan and include indicators that link directly to all aspects of their core mandate. Departments spend money on service delivery initiatives but some fail to adequately plan for and report on the service delivery outcomes. For example, the provincial education department did not include indicators relating to school readiness, which could affect the department's contribution to the Medium-Term Strategic Framework objectives.

The state of infrastructure in the province posed a further obstacle to service delivery. Departments failed to manage projects properly and did not always pay contractors in line with agreements, putting further strain on provincial finances. For example, there were significant delays in a project to construct 300 low-cost houses in Tladistad. The provincial human settlements department did not pay the contractors on time, causing them to abandon the site. This not only left beneficiaries without adequate housing, but also raised the risk of weather damage and vandalism to existing houses.

The provincial health department is tasked with delivering healthcare services to the people in the province and is doing well in improving the status of clinics. For example, at Maboloka and Raboloka clinics, vacancies were filled, required medicines were made available to patients, and taps were installed in doctors' consulting rooms. However, more still needs to be done at hospitals. At General De la Rey and Brits hospitals, emergency trolleys were not stacked with the required medicines, medical supplies and equipment for resuscitation were not available, and hand-hygiene facilities were not available in emergency rooms and operating theatres. We therefore urge the accounting officer to also focus on the hospitals that have not yet achieved the required status.

We continue to enforce accountability in the province, and we have notified accounting officers and authorities of 35 material irregularities with an estimated financial loss of R487,85 million since we began implementing our expanded mandate. In response, auditees have recovered R44,31 million in losses, while an additional R240,09 million is in the process of being recovered and further losses of R65,64 million have been prevented. We have also seen a positive shift in how departments are responding to our findings. For example, in response to a material irregularity because of a lack of patient records, the provincial health department improved its overall control environment, and thus its audit outcome on performance reporting improved from a disclaimed to a qualified opinion. The new executive authorities and oversight structures should work together and insist that irregularities, losses and harm are swiftly addressed, and that accounting officers track and report on the progress made in resolving the identified irregularities.

The provincial treasury has committed to offering support to departments that received financially unqualified opinions with findings to propel them to clean audits. The premier pledged to address the skills gap in the province, prioritise stability in public entities, and ensure that audit outcomes translate into improved service delivery. To ensure the effectiveness of the combined assurance model, accounting officers and authorities must hold the responsible senior managers accountable when they do not implement audit committee and internal audit unit recommendations specific to performance management and compliance. Where gaps and inaction persist, immediate corrective action should follow. The premier's office, in collaboration with the State Information Technology Agency, should promptly address information technology system challenges in the province to further strengthen the control environment and avoid the imminent risk of information and communication technology failures.

Although the progress towards clean administration has been slow, the improvement is welcomed. We are particularly encouraged by the commitment demonstrated by two accounting officers who managed to shift their auditees to clean audit outcomes. However, there is a need for swift, decisive and consistent action to deal with non-compliance with legislation. Such action remains an effective and efficient tool to enforce accountability, deter misconduct and create a culture of prudent use of the limited resources available for service delivery imperatives. We are confident that by replicating the commitment and discipline of the accounting officers at the three auditees with clean audits, similar results can be achieved by other departments.

7.10

A sustainable good governance foundation that must lead to service delivery improvement

	Unqualified with no findings (clean)	Unqualified with findings	Qualified	Adverse	Disclaimed	Outstanding	Movement from 2018-19
2018-19	16	2	0	0	0	0	1 ▲ 0 ▼
2023-24	18	2	0	0	0	0	

The province obtained 18 (out of 20) clean audits in 2023-24 compared to 16 (out of 18) in 2018-19 – the last year of the previous administration. The province heeded our call to enhance their procurement processes, which resulted in the audit outcomes for 2023-24 improving.

The consistent positive pattern in audit outcomes is rooted in good financial governance and robust control environments underpinned by accountability and institutional integrity. The coordinating institutions promoted good governance through enhancing the established provincial corporate governance review and outlook processes, while auditees implemented governance action plans that promoted transparency. Accounting officers and authorities set a strong leadership tone to drive a culture of accountability and continuous improvement in the control environment, enabling most auditees to implement and maintain institutionalised controls and allowing them to comply with legislation. However, as much as this reflects transparency around acting in the best interest of the institution and the public, service delivery needs are not always met.

Wesgro improved from a financially unqualified audit opinion with findings in 2022-23 to a clean audit outcome in 2023-24 by addressing internal control deficiencies in procurement processes and preventing irregular expenditure. This was achieved through the then newly appointed chief financial officer and the existing chief executive officer implementing effective consequence management, as well as the appointment of skilled staff. Casidra maintained its 2022-23 clean audit outcome in 2023-24 (having improved from a financially unqualified opinion with findings in 2018-19) because it performed continuous reviews to ensure that its reported performance was reliable.

Two auditees obtained financially unqualified audit opinions with findings in 2023-24, being the provincial education department with findings on performance information and the newly established provincial mobility department with material non-compliance related to strategic planning and performance management. The mobility department did not include indicators for its administration programme in its performance plan due to the transitional arrangements in place while the department was still being established, which resulted in the accounting officer relying on the transitional process and not reviewing the performance plan for appropriateness.

All auditees submitted their financial statements on time for auditing. Adequate institutional capacity and good financial controls enabled the province to submit good-quality financial statements and prevent unauthorised expenditure over the administrative period. The established budgetary practices driven by the provincial treasury and implemented by auditees have also assisted in that no auditees are experiencing serious financial health challenges.

The provincial department of the premier plays a key role in ensuring strategic alignment of performance planning and reporting across the province. The department reviews performance plans and reports and provides support to departments to ensure that performance information is useful and reliable. All auditees also submitted their performance reports on time, but the quality of the reports submitted by three auditees (15%) was poor due to a lack of specific standard operating procedures for certain indicators and insufficient review. As the provincial education department was not able to correct the material misstatements we identified, we reported material findings in this area. Two indicators relating to teacher training were not reliable, while various indicators were omitted from the performance plan. As technical indicator descriptions were not developed for the omitted indicators, no systems and processes were implemented to monitor performance. Some of these omitted indicators (e.g. those relating to the national reading plan for primary schools) contribute to the achievement of Medium-Term Strategic Framework priorities. Their exclusion from performance plans undermines transparency and accountability in tracking progress towards the achievement of these priorities and, ultimately, the vision of the National Development Plan 2030. The education department had findings on performance information in each year of the administration's term.

The provincial health and wellness department implemented various strategies to improve performance and service delivery, such as the differentiated models of care approach, the establishment of youth zones, and telehealth services. The latter initiative uses a robotic device to connect clinicians at one facility to another, so that specialists can assist with critical care services across the province.

The provincial infrastructure department was responsible for the housing function for the first time in the 2023-24 financial year due to the merger of the previous human settlements and transport and the public works departments. The department analysed the issues emanating from the existing housing development projects to identify improvements required for future service delivery. As an example, we previously reported on a project with delays and quality defects caused by issues related to project management. These identified defects were subsequently corrected, but the delivery of houses to beneficiaries was still delayed. The department underspent the informal settlements upgrading partnership grant by R222,40 million and under-delivered on its planned housing units and serviced sites. This underspending was mainly due to land invasion and service delivery protests that significantly hindered project progress. Delays and poor contractor performance, on which we have reported throughout the administrative period, had an overall negative impact on infrastructure delivery. Despite this, the quality of infrastructure works in the province was good and the department has designed enhanced processes to continue to improve on project management.

Over the term of the administration, we issued one material irregularity notification during the 2021-22 financial year, which was appropriately responded to and resolved. We reported material non-compliance at only three auditees over the administrative term and identified no such instances in 2023-24. There has also been a significant decrease in fruitless and wasteful expenditure, which amounted to R164 590 (excluding a prior-year amount of R289 000 identified in the current year) in 2023-24, from an annual average of R331 719 in the prior years of the administration. Similarly, irregular expenditure decreased significantly to R27,89 million, compared to an annual average of R168,12 million over the prior years of the administration.

The provincial department of the premier should further intensify the reviews of performance plans and reports and provide support. It should hold the provincial education department to commitments to ensure that performance information sufficiently supports reported performance and that all required indicators are included and measured in line with the requirements of the the National Treasury's framework for managing programme performance information. Portfolio committees should review performance plans during the in-year monitoring processes to ensure credible and complete information. Any recommendations from these processes should be communicated in a formal report requesting departments' feedback on the implementation thereof. Provincial leadership must optimise future planning on project delivery and effectively employ the dedicated capabilities to further improve service delivery in the province.

The premier committed to engage each member of the executive council through one-on-one meetings to discuss the implementation of key recommendations to improve outcomes and service delivery. The premier will further seek to obtain commitment from local government roleplayers, including mayors, through the premier's coordinating forum to improve outcomes and service delivery across all municipalities. The speaker in the provincial parliament has committed to develop and implement an accountability governance oversight model to be applied in provincial parliament, specifically relating to the standing committees. The deputy speaker will be the chair of chairs and will actively drive the model to improve oversight of the executive authorities.

Lastly, we encourage the province to continue with its citizen-centric culture, driven by the premier and other key roleplayers across the various levels of government in the accountability ecosystem.

DEFINITION OF MATERIAL IRREGULARITY AND EXPANDED POWERS

Material irregularity (MI)

Any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss,** the **misuse or loss** of a **material public resource,** or **substantial harm** to a **public sector institution** or the **general public**

If the accounting officer/authority does not appropriately deal with material irregularities, our expanded mandate allows us to:

1 **Refer material irregularities** to relevant public bodies for further investigations

2 **Recommend actions** in the audit report to resolve the material irregularity

Take binding remedial action for failure to implement recommendations

3 **Issue certificate of debt** for failure to implement remedial action if financial loss was involved

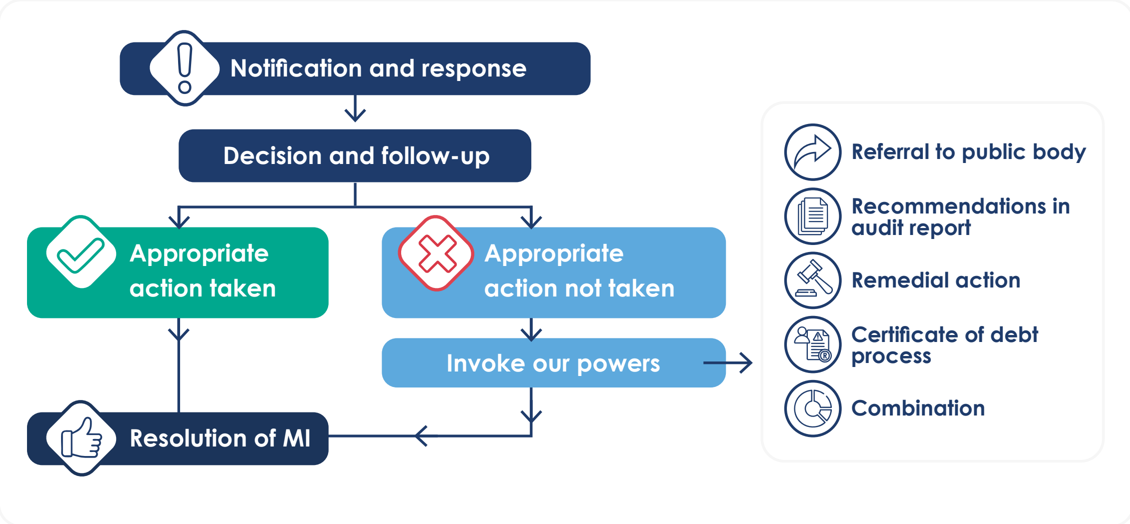
We identify and report on irregularities, losses, misuse and harm as part of our normal audit processes. What makes a material irregularity different from other irregularities are the two main gates through which a matter must pass to be classified as an MI:

1. There needs to be an irregularity (which is the non-compliance, fraud, theft or breach)
2. That irregularity must have an impact (being a material loss, misuse or significant harm)

Through identifying MIs, we support accounting officers and authorities by bringing to their attention those irregularities that could have a significant impact on their finances, resources and service delivery. We also empower them to swiftly take the appropriate steps in terms of legislation and to strengthen their internal control environment to prevent further irregularities.

The amendments to the Public Audit Act and the introduction of the accompanying MI Regulations have been shaped to support the process of fair, transparent and legally sound administrative justice by giving accounting officers and authorities an opportunity to take the actions required to deal with the MIs. We use our additional powers only where accounting officers and authorities are not dealing appropriately with such irregularities.

OVERALL MATERIAL IRREGULARITY PROCESS



STEPS IN MATERIAL IRREGULARITY PROCESS AND RESULTING STATUS OF MATERIAL IRREGULARITY

Step in process	Status of MI
Notification and response	
1. When we identify an MI, we **notify the accounting officer or authority without** delay. We give them reasonable time to respond to the notification by giving us a written submission and evidence on what they have done and plan to do to address the MI.	Notified and awaiting response
2. If the response provided does not include all the information we require to perform our assessment, we may **request additional information.**	Notification response received – awaiting additional information
3. When received, we **assess the accounting officer's or authority's response to the notification** to conclude whether the actions (taken or planned) and outcomes of the actions already taken are appropriate and in line with their legal obligations.	Notification response received – assessment in process
Decision and follow-up: Appropriate action taken	
4. If we determine that the **actions and outcomes included in the response are appropriate,** we give the accounting officer or authority and other parties involved in resolving the MI (e.g. investigative public bodies) space to implement the further planned actions in an agreed timeframe. Appropriate action means that we have assessed the steps being taken to resolve the MI and are comfortable that these, when fully implemented, will result in the MI having been resolved.	Appropriate action taken

STEPS IN MATERIAL IRREGULARITY PROCESS AND RESULTING STATUS OF MATERIAL IRREGULARITY *(continued)*

Step in process	Status of MI
Decision and follow-up: Appropriate action taken (continued)	
5. We **follow up** on the progress made with implementing the planned actions at regular intervals and assess whether the outcomes of the actions are appropriate. For example, if an investigation was planned, we follow up whether it was performed, assess whether the scope of the investigation addressed the MI, and consider whether the conclusions of the investigation were appropriate.	Assessment in process (if we are busy following up or the actions are not yet due)
Decision: Appropriate action not taken	
6. We notify the accounting officer or authority that their actions are **not appropriate** if: • the accounting officer or authority did not respond to the notification • we determined that the actions and outcomes included in the response to the notification are not appropriate • we originally assessed that appropriate action is being taken but, based on our follow-up on the progress of implementation, determine that the actions are not being taken or the outcomes are not appropriate. We then proceed with a decision-making process on invoking our powers to ensure the MIs are resolved, which can be either **referral to a public body for investigation or including recommendations in the auditee's audit report.**	Appropriate action not taken – decision on invoking powers in process
Invoke our powers: Referral to public body	
7. The auditor-general can approve the **referral of the MI to a public body for investigation.** Such a referral is most often made if the public body's mandate, investigative powers and remedial or punitive powers make it better suited to deal with the MI than us or the accounting officer or authority. This power is often employed if the MI requires a fraud or other criminal investigation. The public body then regularly reports to us on its progress until the investigation is completed.	Referral to public body for investigation

STEPS IN MATERIAL IRREGULARITY PROCESS AND RESULTING STATUS OF MATERIAL IRREGULARITY *(continued)*

Step in process	Status of MI
Invoke our powers: Recommendations in audit report	
8. We can include **recommendations in the audit report** of the auditee. These are not the normal recommendations we provide as part of our audits, but instead deal with the actions that the accounting officer or authority should take to resolve a specific MI. They typically deal with three areas: • Recovery: steps that should be taken to recover financial and public resource losses or to recover from harm • Prevention: steps that should be taken to strengthen internal controls to prevent further losses and harm • Consequences: steps that should be taken to impose consequences for wrongdoing, including disciplinary processes and, if applicable, handing the matter over to a law-enforcement agency If the recommendations are not implemented, the Public Audit Act requires us to take **remedial action.**	Recommendations in audit report
Invoke our powers: Remedial action and certificate-of-debt process	
9. If our recommendations as included in the audit report are not implemented, we take **remedial action** that covers the same areas of recovery, prevention and consequences. Remedial action is a binding (obligatory) instruction taken by the auditor-general that outlines the action an auditee needs to take to address the MI. If the MI caused financial loss for the state, the remedial action also includes a **directive** for the financial loss to be quantified and recovered.	Remedial action

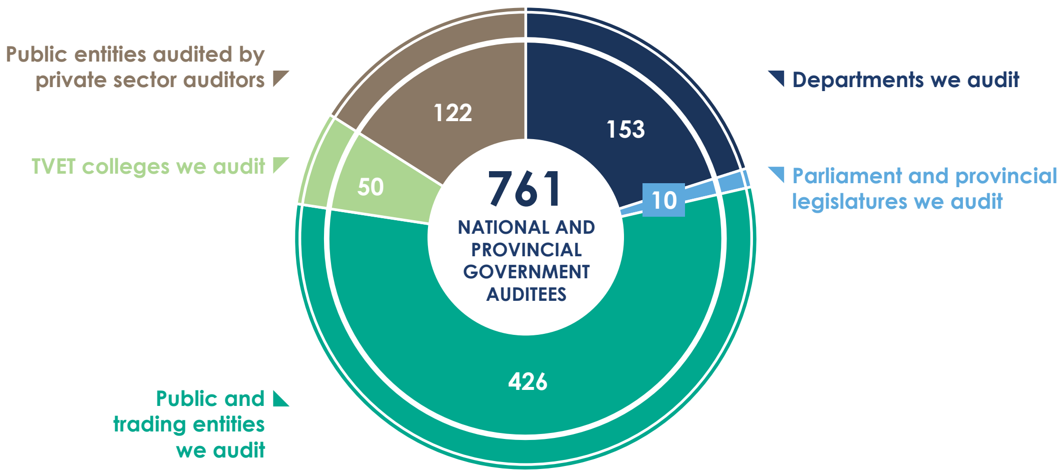
STEPS IN MATERIAL IRREGULARITY PROCESS AND RESULTING STATUS OF MATERIAL IRREGULARITY *(continued)*

Step in process	Status of MI
Invoke our powers: Remedial action and certificate-of-debt process	
10. If the accounting officer or authority **does not implement the remedial action,** we can take any action the Public Audit Act provides for, including escalating the matter to the broader accountability ecosystem, issuing a special report or taking legal action. If the **directive** issued by the auditor-general is not implemented, we start the certificate-of-debt process. **Stages of certificate-of-debt process as defined in MI Regulations:** • The auditor-general issues a notice of intention to issue a certificate of debt to the accounting officer or authority and requests a written submission on reasons not to issue a certificate of debt. • The auditor-general determines, based on written submissions received, whether the certificate-of-debt process should continue. • If the process continues, the auditor-general requests that the accounting officer or authority give oral representation at a meeting of the MI advisory committee on reasons not to issue the certificate. The advisory committee is an independent body established to ensure that the process is fair, reasonable and adheres to the principles of administrative justice. • The MI advisory committee meets to hear the oral representation and recommends the appropriate course of action to the auditor-general. • The auditor-general decides whether to continue with issuing the certificate of debt, taking the committee's recommendation into account. • If the process continues, the auditor-general issues a certificate of debt to the accounting officer or authority. The debt must be recovered through the executive authority. The auditor-general monitors and reports on the recovery until the amount has been fully recovered.	Different statuses: • Notice of certificate-of-debt process • Invitation for oral representation • MI advisory committee processes • Certificate of debt issued
Invoking our powers: Combination	
11. We can also decide to include **recommendations in the audit report or take remedial action combined with a referral to a public body for investigation.**	Recommendations in audit report / remedial action and referral to public bodies

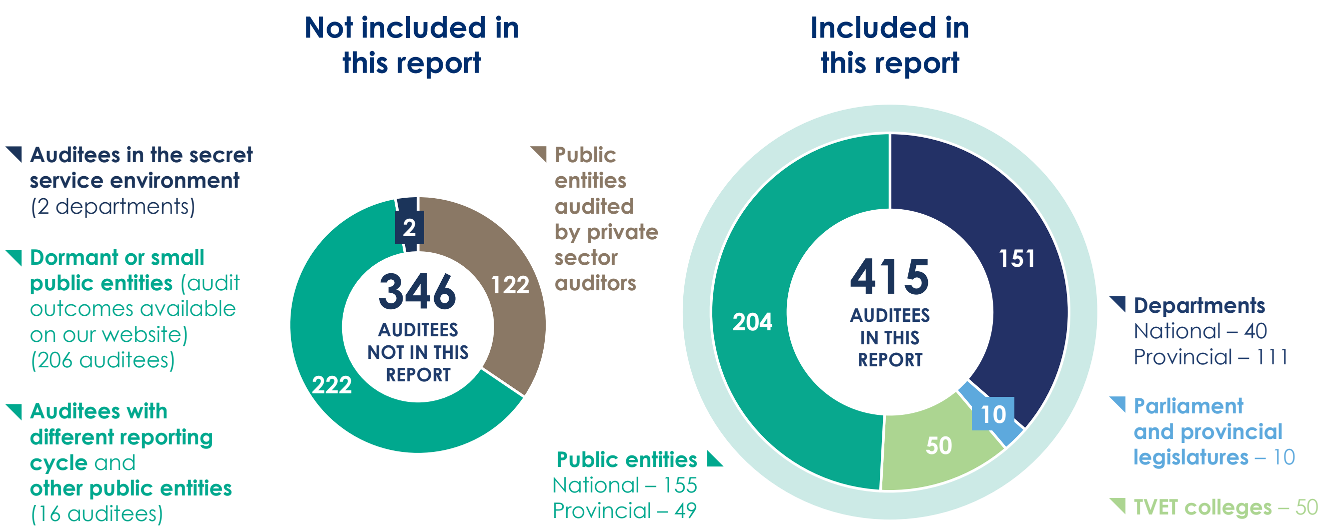
STEPS IN MATERIAL IRREGULARITY PROCESS AND RESULTING STATUS OF MATERIAL IRREGULARITY *(continued)*

Step in process	Status of MI
Resolution of MI	
12. An **MI is resolved** only when: • all possible steps have been taken to recover financial losses and to remove or address any harm caused • internal controls have been strengthened to prevent further losses and/or harm • there are consequences (including disciplinary processes) for any wrongdoing • if applicable, the matter has been handed over to a law-enforcement agency. Different MIs need different actions (and sometimes a combination of actions) to resolve. For example, some require financial losses to be recovered while others also require further financial losses to be prevented. Some require consequences against responsible officials while others also require fraud or other criminal investigations, the outcomes of which must be reported to the South African Police Service. MIs are resolved through the actions taken by the accounting officer or authority in response to the MI notification we issue, the recommendations we include in the audit report, or the remedial action we take. MIs can also be resolved at the conclusion of an investigation by a public body or because of the certificate-of-debt process.	Resolved

GOVERNMENT AUDITEES AND WHO AUDITS THEM



AUDITEES COVERED, AND NOT COVERED, IN THIS REPORT



NUMBERS AND PERCENTAGES ARE BASED ON 377 COMPLETED AUDITS EXCEPT FOR:

Performance reporting	Unauthorised expenditure	Irregular expenditure	Fruitless and wasteful expenditure	Financial health (indicator assessment)	Root causes	Consequence management	Procurement and contract management
314	161	415	415	368	235	370	370
Auditees, excluding those not required to submit performance reports or that did not submit performance reports	Departments (including outstanding audits where financial statements were available)	Auditees (including outstanding audits where financial statements were available)	Auditees (including outstanding audits where financial statements were available)	Auditees assessed, excluding those with adverse or disclaimed audit opinions	Auditees, excluding clean audits	Auditees, excluding those where consequence management was not audited	Auditees, excluding those where procurement and contract management was not audited

R2,07 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

204 HIGH-IMPACT AUDITEES — 175 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**

NUMBER OF AUDITEES WHERE COMPLIANCE AREAS WERE AUDITED

Consequence management	370
Expenditure management	314
Material misstatements or limitations in submitted financial statements	371
Prevention of unauthorised, irregular and/or fruitless and wasteful expenditure	324
Revenue management	314
Procurement and contract management	371
Strategic planning and performance management	361

HOW WE SHOW MOVEMENT

Where we indicate improvement or regression in outcomes and findings, we compare the results of completed audits for 2023-24 to their results in 2022-23 (previous year) and 2018-19 (last year of previous administration)

- ▲ Improvement
- ▶ Unchanged
- ▲ Slight improvement
- ▼ Slight regression
- ▼ Regression

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.

bn	billion
DPME	Department of Planning, Monitoring and Evaluation
IJS	Integrated Justice System
IT	information technology
MI	material irregularity
Mt	metric tonnes
MTDP	Medium-Term Development Plan
MTSF	Medium-Term Strategic Framework
NDP	National Development Plan 2030
NSNP	National School Nutrition Programme
SA-SAMS	South African School Administration and Management System
SDG	Sustainable Development Goals
SETA	Sector Education and Training Authority
SITA	State Information Technology Agency
SOE	state-owned enterprise
TVET college	technical and vocational education and training college

NOTES

AUDITOR-GENERAL
SOUTH AFRICA

AUDITING TO BUILD PUBLIC CONFIDENCE

Physical Address:	4 Daventry Road Lynnwood Manor Pretoria, SA	**Telephone:**	012 426 8000
		Fax to Email:	012 426 8257
		Email:	agsa@agsa.co.za
Postal Address:	PO Box 446, Pretoria, 0001	**Website:**	www.agsa.co.za

Auditor-General South Africa

RP325/2024
ISBN: 978-1-77997-359-7

Scan to download this report

Scan to access the content on our reports website

2023-24

CONSOLIDATED GENERAL REPORT ON NATIONAL AND PROVINCIAL AUDIT OUTCOMES

Auditor-General of South Africa