

# #cultureshift2030 strategy

OF THE AUDITOR-GENERAL  
SOUTH AFRICA

Presentation to the Portfolio  
Committee on Social  
Development

03 May 2023



AUDITOR-GENERAL  
SOUTH AFRICA



## MISSION

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



## VISION

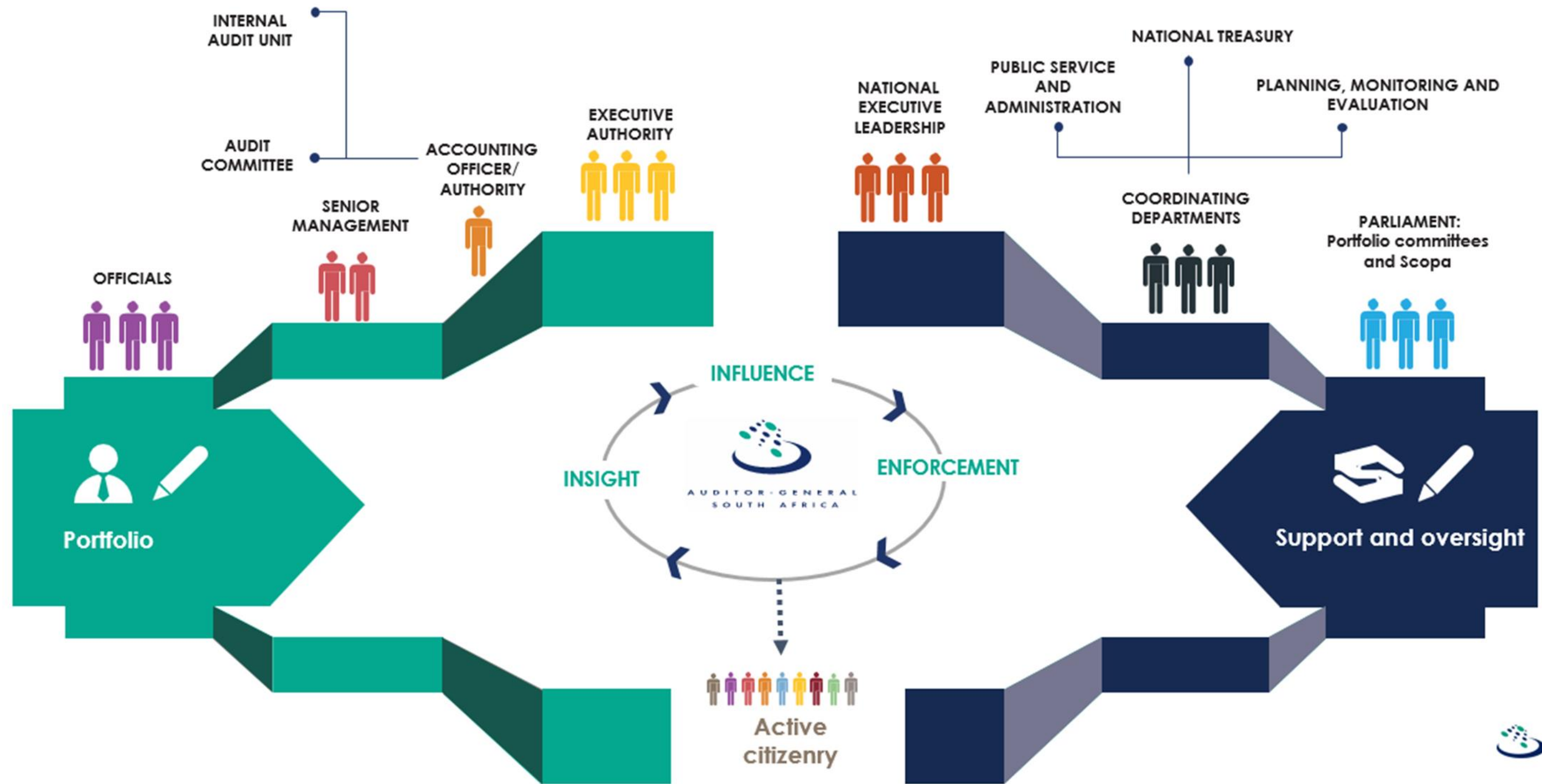
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



# #cultureshift 2030 strategy

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Having reflected on our South African context and the root causes of the persistent undesirable outcomes, we have resolved that as long as there is no focus on improving the public sector culture, outcomes will not change materially



### Chapter 3: Section 41

All organs of state must **secure the well-being of the people of the Republic**

### Chapter 3: Section 41

All organs of state must provide **effective, transparent, accountable and coherent government** for the Republic as a whole

### Chapter 9

AGSA's mandate: **Strengthen constitutional democracy in the Republic**

## Status and functions of the AGSA

The AG has the power to:

- Perform an appropriate audit to ... determine whether appropriate and adequate measures have been implemented **to ensure that resources are procured economically and utilised efficiently and effectively**
- Take any appropriate **remedial action**, and
- **Issue a certificate of debt** ...where an AO or AA has failed to comply with remedial action



## Strategic aspiration

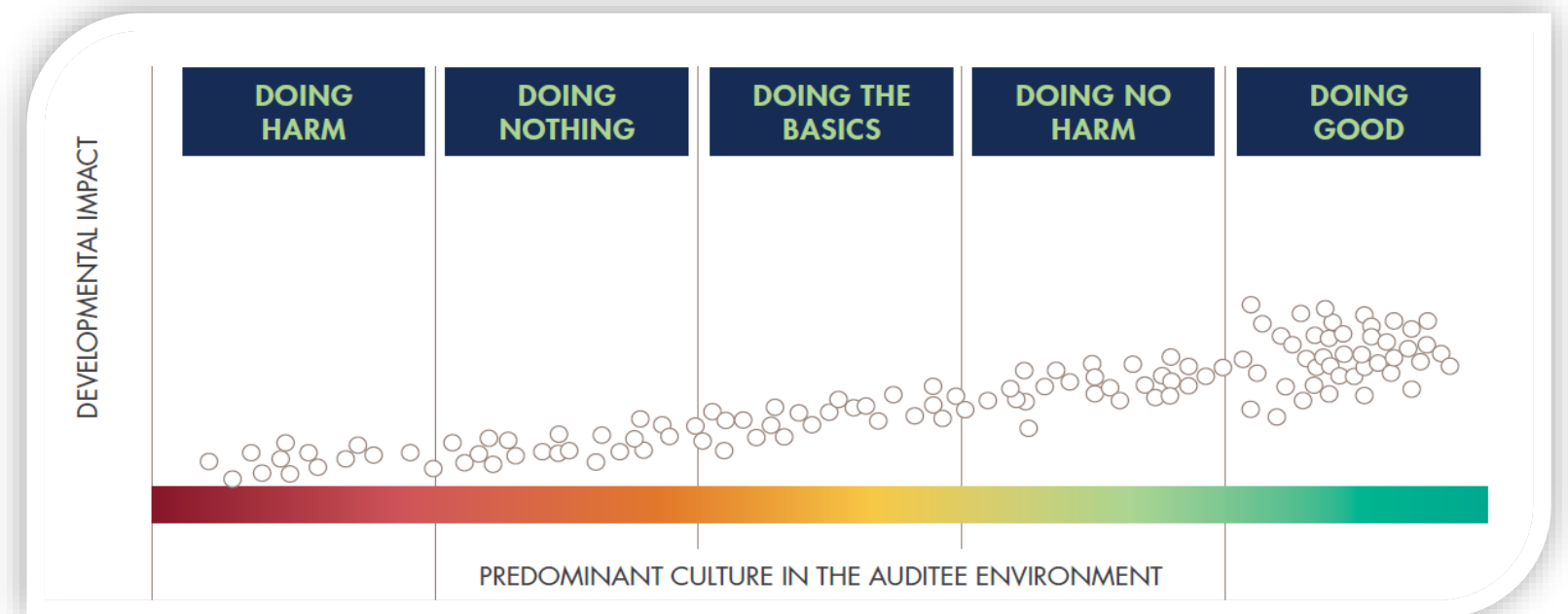
To have strong, more direct and consistent impact on improving the lived reality of ordinary South Africans

## Accountability ecosystem

Broad-based, effective network of stakeholders driving and deepening public sector accountability

## Theory of change

Sustainably and efficiently shift public sector culture through insight, influence and enforcement



We will realise our strategic aspiration by focusing on six strategic goals:

## Sustainably



Acquire, develop and maintain the quantity, quality and configuration of people, resources and capabilities to safely achieve and sustain our desired levels of impact

## Insight



Generate audit insights that illuminate understanding, drive action and yield results

## Efficiently



Unlock latent capacity in the existing resource base and our people and lower the cost and effort with which we derive each marginal unit of quality, insight, influence and enforcement

## Influence



Move stakeholders from mere awareness of our messaging to action on and advocacy of our messaging

## Shift public sector culture



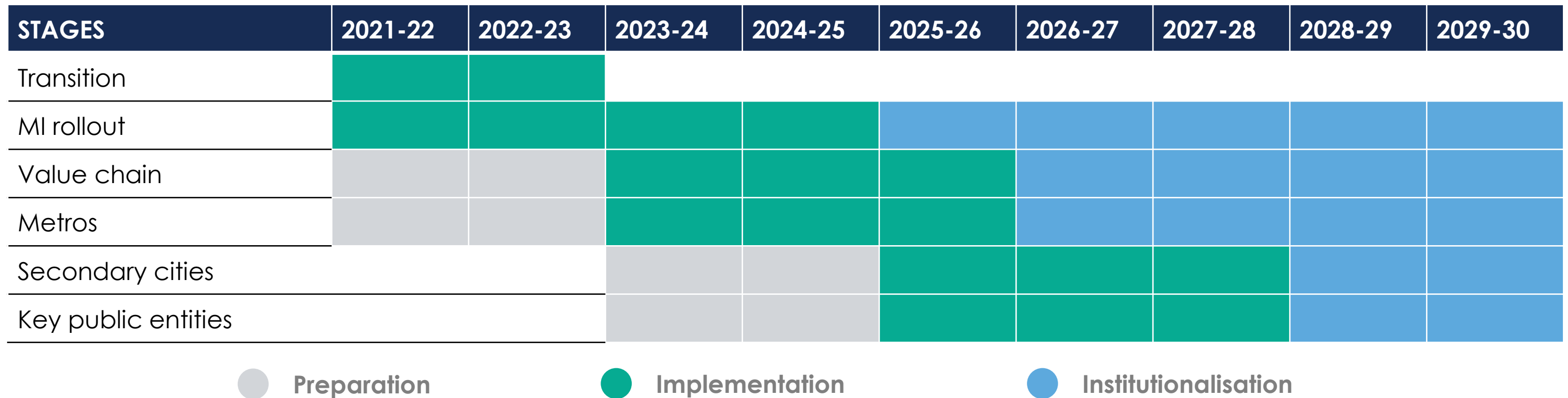
Move a critical mass of auditees towards organisational cultures characterised by transparency, integrity and accountability

## Enforcement



Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing







# SASSA – Culture Shift and commitments

## Culture Shift

Proper consequence management to take place on a timely basis to prevent fraud/losses from reoccurring.

## Commitments from SASSA leadership

- Timely finalisation of long outstanding cases.
- Proper systems in place to ensure that cases referred are being investigated timely and by properly skilled personnel.
- Consequence management to be implemented for all impacted officials as recommended in the various investigation reports, and acceleration of the investigation process of financial misconduct cases in order to implement consequence management in time
- Follow up with National Treasury on the condonment of those finalised cases.
- SASSA H/O Investigation unit to ensure that all grant fraud cases done by provinces has been properly investigated and necessary actions taken as per the investigation report has been implemented.

## Impact

- Reduction of irregular, fruitless and wasteful expenditure incurred.
- Mitigation and prevention of further losses on grants payments, procurement and other losses.



# Material irregularities (MIs)



We have long reported on **pervasive mismanagement/ leakage of public funds without consequences** and our **audit recommendations not receiving the required attention**, with little or no improvement noted in the status quo, leading to our relevance being questioned

**Public outcry** for increased **accountability and transparency**, saw calls from parliamentary oversight structures, civil society, organised labour, media and the public at large for the **AG to be empowered to hold accounting officers entrusted with public funds accountable for their actions**

The original expanded mandate now finding its basis in our strategy

**Enforcement**

Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing – **#cultureshift2030**

### Material irregularity

means 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 AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:

- 1** Refer material irregularities to relevant public bodies for further investigation
- 2** Recommend actions in audit report to resolve the material irregularities
- 3** 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

### The overall aim of our expanded mandate is to:

- Instil a culture of accountability
- Improve the protection of resources
- Enhance public sector performance and encourage an ethical culture
- Strengthen public sector institutions to better serve the people of South Africa



## 1 AO/AA is dealing with MI

**AO/AA...** implements the committed actions to address the MI and improves controls to prevent recurrence

**AGSA...** follows up in the next audit if actions were implemented and if outcomes were reasonable. If not, can include recommendations in audit report on how the MI should be addressed by a specific date

## 2 MI is referred to a public body

**AO/AA...** cooperates with public body and implements any remedial actions / recommendations made. Improves controls to prevent recurrence

**AGSA...** provides information on MI to public body, monitors progress with investigation and follows up in audits on implementation of any remedial actions/ recommendations

## 3 Recommendation included in audit report

**AO/AA...** implements the recommendations by the date stipulated in the audit report and improves controls to prevent recurrence

**AGSA...** follows up by stipulated date if recommendations were implemented and if outcomes were reasonable. If not, issues remedial action to AO/AA that must be implemented by a specific date

## 4 Remedial action issued

**AO/AA...** implements the remedial action by the date stipulated in the audit report and improves controls to prevent recurrence

**AGSA ...** follows up whether the remedial actions have been implemented. If not, issues a notice of intention to issue a certificate of debt (CoD) to the AO/AA. Request a written submission on reasons not to issue CoD within 20 working days

### Executive and oversight

**Executive...** monitors progress and supports AO/AA in addressing the MI and improving controls

**Oversight...** monitors progress and calls AO/AA to account for actions taken and outcomes

### Executive and oversight

**Executive...** supports public body investigation and the AO/AA in improving controls. If responsible for public body, monitors progress with investigation

**Oversight...** monitors progress with investigation and calls public body to account for undue delays in Investigation.

### Executive and oversight

**Executive...** monitors progress and supports AO/AA in implementing recommendations and improving controls

**Oversight...** request action plan or implementation, monitors progress and calls AO/AA to account for actions taken and outcomes

### Executive and oversight

**Executive...** monitors progress and supports AO/AA in implementing remedial action and improving controls

**Oversight...** monitors progress and calls AO/AA to account for actions taken and outcomes



## From INACTION to ACTION

179 material irregularities on non-compliance and fraud resulting in:

169 material financial loss (estimated R12 billion)

9 substantial harm to public sector institution

1 misuse of material public sector resource

No actions were taken to address 82% of these matters until we issued notifications.

## ACTIONS TAKEN BY AUDITEES

R636 m Prevented financial loss from taking place

R509 m Financial loss in process of recovery

R14 m Financial loss recovered

36 Responsible officials identified and disciplinary process completed or in process

15 Fraud/criminal investigations instituted

5 Stopped supplier contracts where money is being lost

### Examples of actions taken by auditees

The **Department of Defence** imported an unregistered drug (Heberon) at a cost of approximately R260 million without approval from the South African Health Products Regulatory Authority. The unused vials were repatriated to Cuba, preventing an estimated financial loss of R227 million.

The **Property Management Trading Entity** made payments to a landlord for leasing properties in excess of the amount payable as per the lease agreement, resulting in an estimated R11 million in overpayments. By 31 March 2022, R9,7 million had been recovered from the landlord and the remaining amount was in the process of being recovered.

The **KZN Department of Health** procured sanitiser detergent at a significantly higher price than that mandated by the National Treasury, resulting in a R1,3 million financial loss. Acknowledgement of debt was signed with the supplier, resulting in R0,5 million of the loss being recovered.

Multiple instances of non-compliance by **Prasa** were identified in the procurement process for locomotives in July 2012. Seven officials were charged with procurement irregularities and are being subjected to disciplinary processes; so far, one official has been dismissed and another has resigned.

The **National Department of Cooperative Governance** made payments to non-qualifying government employees as part of the community work programme. In response to the recommendations, we made and an internal investigation into the matter, the accounting officer referred the matter to the Directorate for Priority Crime Investigation (Hawks) for investigation. The accounting officer also took disciplinary steps against the responsible officials.

The **Eastern Cape Department of Human Settlements** awarded three contracts for housing units to bidders who did not score the highest points. On an application by the accounting officer, the High Court set two of the contracts aside, declaring them invalid, which prevented an estimated financial loss of R6,45 million.

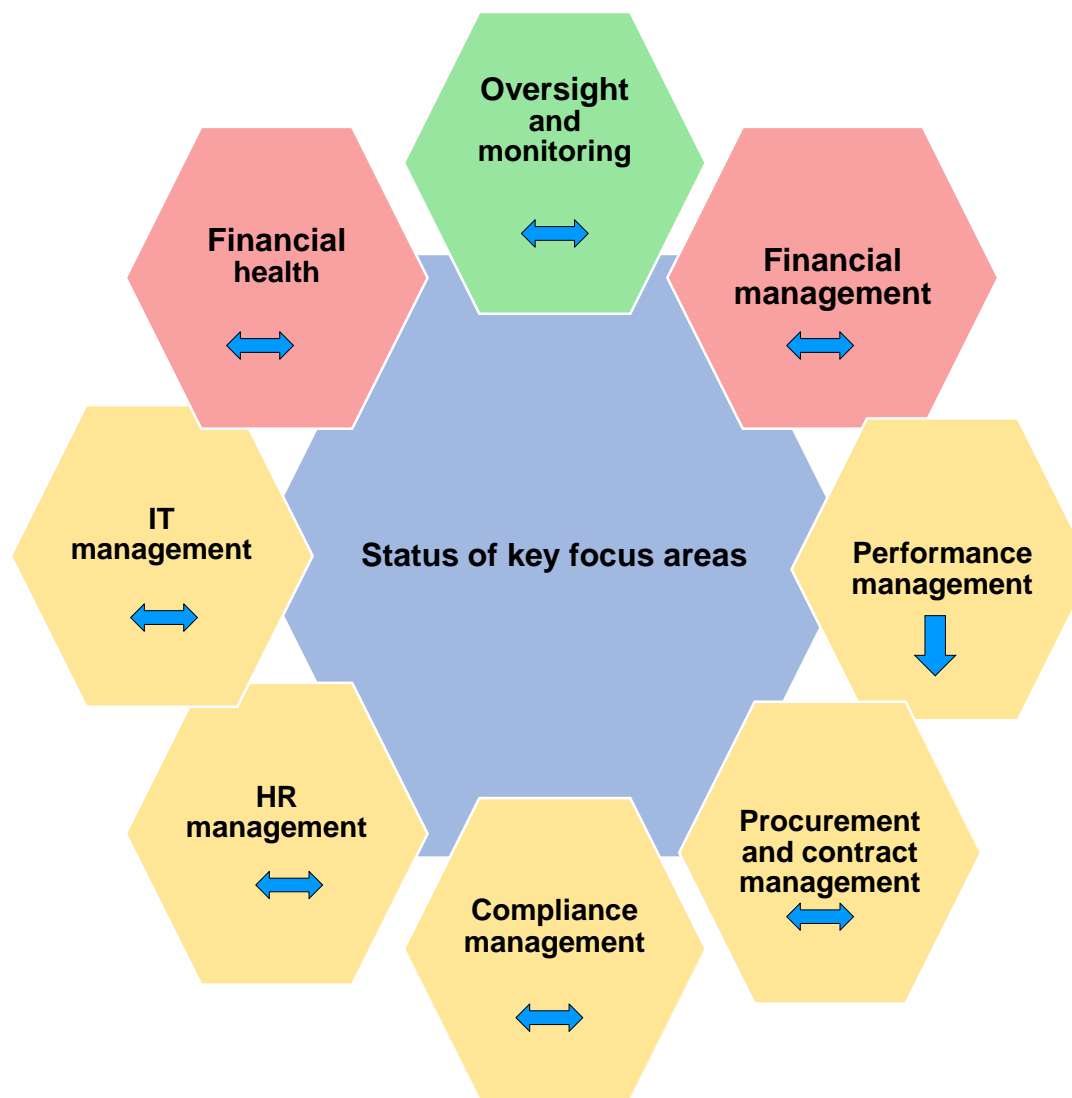


# Material irregularity identified at SASSA

Notified	Type	MI description	Status of MI	Status description at 31 July 2022	Current status
23 August 2021	Payment for goods and services not received	Payment for social services not rendered – R74 million	In progress – accounting authority is taking actions to address the MI	The accounting authority is taking necessary actions to resolve the MI. An investigation is currently being conducted by an external firm appointed through the National Treasury to determine if any current and former employees can be held liable for the loss. The liquidation process of the supplier that was paid while not entitled to receive payment is still in progress.	The investigation was finalised in November 2022. The accounting authority is in the process of implementing the recommendations contained in the investigators' report, and has indicated that this should be finalised by the end of April 2023.
4 October 2021	Payment for goods and services not in line with contract	Payments made where no goods and services were received – overpayment of R316 million to service provider	In progress – accounting authority is taking actions to address the MI	The accounting authority is taking necessary actions to resolve the MI. An investigation is currently being conducted by an external firm appointed through the National Treasury to determine if any current and former employees can be held liable for the loss. The liquidation process of the supplier that was paid while not entitled to receive payment is still in progress.	This MI is resolved as adequate actions were taken by the AA
4 October 2021	Payment for goods and services to ineligible applicants	Payment of R350 SRD grants to ineligible beneficiaries	In progress – recommendations issued	Recommendations submitted to the accounting authority on 29 July 2022 to implement within six months.	We are in process of evaluating accounting authority's response.

# STATUS OR RECORDS REVIEW (DSD AND SASSA)

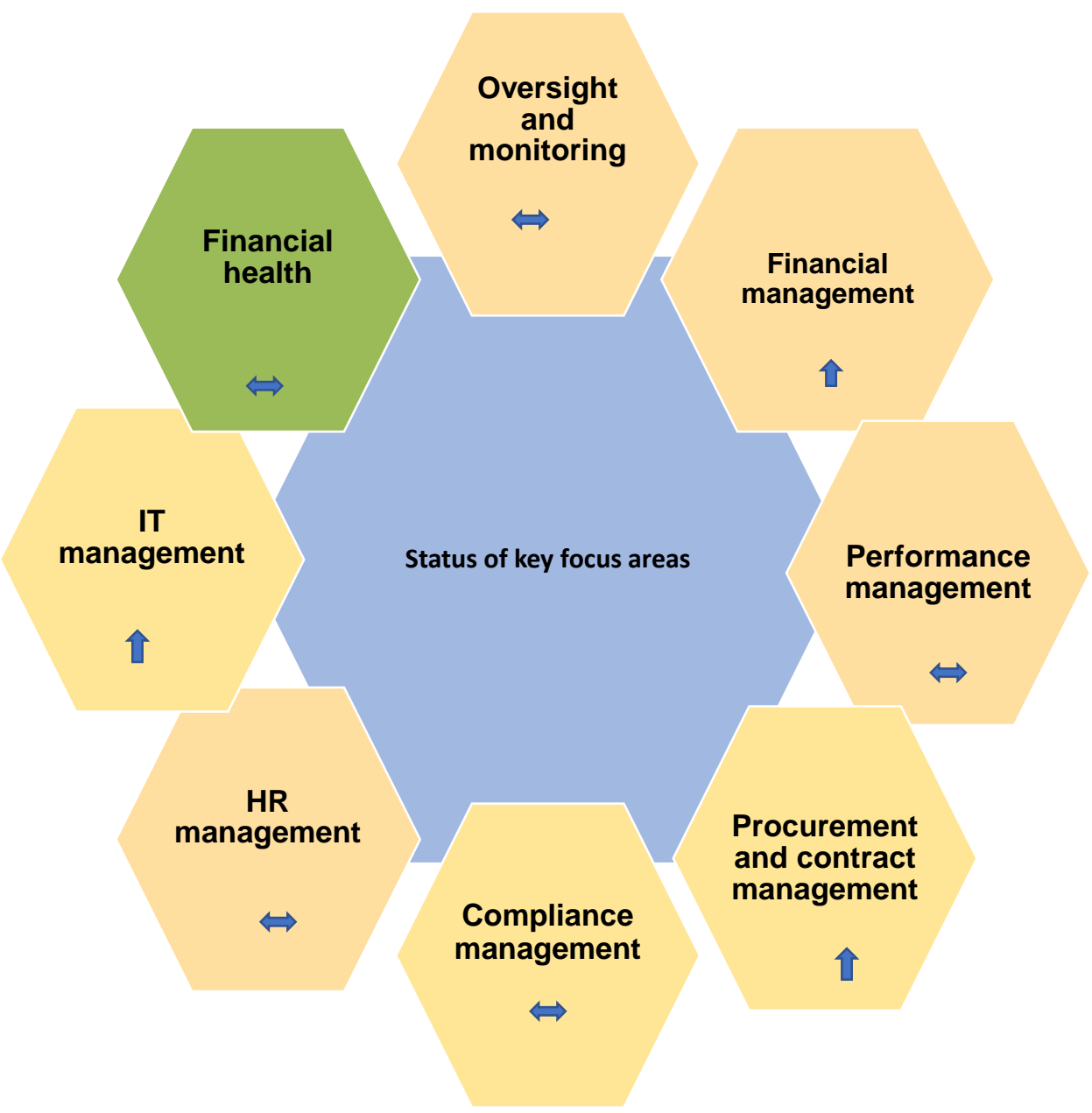




Focus area	Insights
<b>Financial management</b>	<ul style="list-style-type: none"> <li>The balance of unauthorised expenditure remains un-cleared in the current financial year.</li> <li>DSD should consult with SASSA in respect of the recovery of all grant debts including the R350 unemployment SRD grant and</li> </ul>
<b>Performance management</b>	The majority of the quarterly targets were achieved with the exception of two indicators in welfare services policy development and implementation support (programme 4).
<b>Procurement and contract management</b>	<ul style="list-style-type: none"> <li>55 bids, which were planned to be awarded during the period ending December 2022, were not awarded as per the procurement plan.</li> </ul>
<b>Compliance management</b>	<ul style="list-style-type: none"> <li>Management is slow on conducting and finalising investigation of irregular, fruitless and expenditure that took place in the prior years.</li> <li>Effective and appropriate disciplinary steps against any official in the service of the department who made or permitted the irregular, fruitless and wasteful expenditure should be taken as required by section 38(1) (h) of the PFMA.</li> </ul>
<b>Financial Health</b>	<ul style="list-style-type: none"> <li>Receivables balance recognised on the statement of financial position as at 30 September 2022 remains very high and comprises mainly of grant debtors at more than R1 billion, which if not recoverable affect the financial helath</li> </ul>







Focus area	Insights
Financial management	<ul style="list-style-type: none"> <li>Staff debtors increased by 25% from the prior year.</li> <li>Depreciation is calculated incorrectly for assets brought into use during the month due to the system not taking into account the exact period the asset was placed/ brought in use, which is not in line with GRAP 17 &amp; 31 requirements and there is no manual journal passed to correct this.</li> </ul>
Performance management	<ul style="list-style-type: none"> <li><b>For indicator no.18 - Number of social grants applications approved</b> -The reported achievement is broken into regions This is not in line with the planned target as per the 2022/23 Annual Performance Plan as the plan only makes reference to the target per quarter and not per region.</li> <li>We identified five targets within programme 2 where the entity had underperformed as per the quarter two reports.</li> </ul>
Procurement and contract management	40 leases of buildings were included in the procurement plan however majority of the procurement has not yet been started as at 31 December 2022.
Human Resources	As at September 2022, two officials in senior management positions were charged with acts of misconduct for contravention of SCM policies. It has been 5 months since the employees where charged. We therefore recommend that the matter be finalised.
IT Management	<ul style="list-style-type: none"> <li>Management has made some progress in addressing previously raised weaknesses. The Disaster Recovery Plan (DRP) was updated to ensure that applicable Recovery Time Objective (RTO) and Recovery Point Objective (RPO) are addressed on the plan. The Business Continuity Framework should be addressed in the DRP.</li> </ul>

Focus area	Insights
<p><b>Compliance management</b></p>	<p><b>There has been slow progress in finalising the investigations related to Irregular and Fruitless and wasteful expenditure of backlog cases.</b></p> <ul style="list-style-type: none"> <li>• <b>Irregular expenditure</b> <ul style="list-style-type: none"> <li>➤ There is a total of 414 cases that are classified as irregular expenditure. Of the 414 cases, five of the cases are current year cases and 409 are backlog</li> <li>➤ Of the 409 backlog cases, 14 cases have been closed ( representing 3% of the backlog cases) while 303 have been submitted to the National Treasury for condonation (representation 74% of the backlog cases)</li> <li>➤ Of the 5 current year cases, one case has been finalised (representing 20% of the current year cases).</li> </ul> </li> <li>• <b>Fruitless and Wasteful expenditure</b> <ul style="list-style-type: none"> <li>➤ There are total of 41 cases that have been classified as Fruitless and Wasteful expenditure</li> <li>➤ Of the 41 cases, 21 are current year cases and 20 are backlog cases</li> <li>➤ Of the 21 current year cases, four cases have been disclosed as finalised (representing 20% of the current year cases)</li> <li>➤ Of the 20 backlog cases, four cases have been disclosed as finalised (representing 20% of the backlog cases)</li> </ul> </li> <li>• We further reviewed 2022-2023 quarter performance report and noted that a total of 66.5% (131 of planned cases) financial misconduct cases were finalised, of which 14% was finalised in Q1.</li> <li>• The majority (14) of the fruitless and wasteful expenditure (current year) cases result from non-utilisation of accommodation and transport services. This may represent poor planning and mismanagement of travel and accommodation events.</li> </ul>
<p><b>Oversight and monitoring</b></p>	<ul style="list-style-type: none"> <li>• There has been slow progress in respect of implementation of the corrective measures for the audit action plan for the findings issued for the financial year ending 31 March 2022. This is evidenced by the 47% implementation of the planned action as at 31 December 2022.</li> </ul>
<p><b>Key Service Delivery Matters</b></p>	<ul style="list-style-type: none"> <li>➤ The suspension and disruption of the grants payment to beneficiaries is of concern. There has been numerous complaints, public outcry and media articles on system crashes at the service provider regarding cards being blocked causing beneficiaries not accessing their grants. This impacts negatively on the operation efficiency of SASSA and its service delivery.</li> </ul>
<p><b>Fraud risk indicators</b></p>	<ul style="list-style-type: none"> <li>➤ Grants being paid to ineligible beneficiaries remains a fraud indicator in the current year. SASSA is encouraged to continue with investigations in determination of ineligible beneficiaries across all the local and regional offices, determine the root causes for these possible fraudulent grant payments and implement controls to prevent further losses in this regard.</li> <li>➤ Fraud registers are not properly completed which makes it very difficult to see if cases has been investigated and what the outcome was of the cases</li> <li>➤ Payments are still made to some ineligible beneficiaries and most of the cases have been closed as beneficiaries could not be traced to recover the money</li> </ul>



# Review of the 2023-24 Annual Performance Plan (APP) for DSD, SASSA and NDA



The purpose of the review was to:

- understand the process followed for the preparation and revision of the five-year plans strategic plans and final draft annual plans (APP)
- determine whether the prior year's findings reported in the audit report relating to measurability, relevance and reliability were considered in updating indicators and targets in the draft annual plan for the next year;
- assess the measurability, relevance, and quality of the indicators and targets planned for the scoped-in subject matter(s) in the final draft annual plans;
- assess the completeness of relevant indicators relating to core functions prioritized for the scoped-in subject matter; and
- enable insights to accounting officers and authorities, executive authorities and oversight through discussions of the pro-active findings.

- The review was conducted for the Department of Social Development (DSD), South African Social Security Agency (SASSA) and National Development Agency (NDA).

## Department of Social Development

- The following finding was identified during the review:
  - Management did not adequately review of the draft Annual Performance Plan against the prescribed framework to ensure that each output indicator has a technical indicator description
  - Management agreed to the finding and subsequently updated the APP.

- The following findings were identified during the review of the Draft 2023-24 SASSA APP:

Performance Indicator	Performance Target	Auditor's Issues Identified	SASSA Management comments
Number of social grant applications processed	1 500 000	<ul style="list-style-type: none"> <li>The indicator title is about applications processed however management has also included activities such as updating information. The manner in which this indicator and target is being detailed does not measure the performance or actual service delivery of the core function as intended by the indicator.</li> </ul>	➤ Amended
Number of grants in payment Including Grant-in- Aid.	19 304 145	<ul style="list-style-type: none"> <li>Annual target in quarterly reporting for Child Support Grant (CSG) incorrectly captured in Table 10 as 113 million instead of 13 million.</li> </ul>	➤ Amended
Number of applications for Child Support Grant (CSG) Top Up in payment	67 400	The target of 67400 for indicator 19 (number of applications for Child Support Grant (CSG) Top up in payment) has been duplicated in indicator 18(Number of grants in payment Including Grant- in- Aid)	➤ Amended



Performance Indicator	Performance Target	Auditor's Issues Identified	SASSA Management comments
Percentage of COVID-19 SRD applications processed	95% of COVID-19 SRD applications processed	<ul style="list-style-type: none"> <li>The TID indicates that applications will be validated against all relevant databases but it is not clear which are the relevant predetermined databases.</li> </ul>	➤ Amended
Percentage of enquiries resolved within stipulated time frames 24. Percentage of disputes resolved within stipulated time frames.	<p>90% of enquires resolved within 5 days</p> <p>80% of disputes resolved within 14 days</p>	<ul style="list-style-type: none"> <li>The indicator title and target is for responding to enquiries or disputes. It is measured as achieved even if an enquiry/ dispute is only acknowledged and not resolved nor feedback provided. The performance or actual service delivery of the core function as intended by the indicator is not measured.</li> </ul>	➤ Amended



- The following findings were identified during the review of the Draft 2023-24 NDA APP:

Performance Indicator	Performance Target	Auditor's Issues Identified	NDA Management comments
Number of poverty eradication projects funded by the NDA	100	The indicator for the Number of poverty eradication projects funded by the NDA is not clearly defined and measurable as inconsistencies were noted between the definition and wording of the indicator (The definition is not clear as the name of the indicator is referring to poverty eradication projects funded, and the definition in the TID is referring to CSO's approved for grant funding, there is no link between the two).	The APP will be amended as the indicator has been worded incorrectly instead of the Number of poverty eradication CSO's funded by the NDA it was documented as the Number of poverty eradication projects funded by the NDA.





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