

BUDGET COMMITTEE

3 OCTOBER 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



MISSION AND VISION



VISION

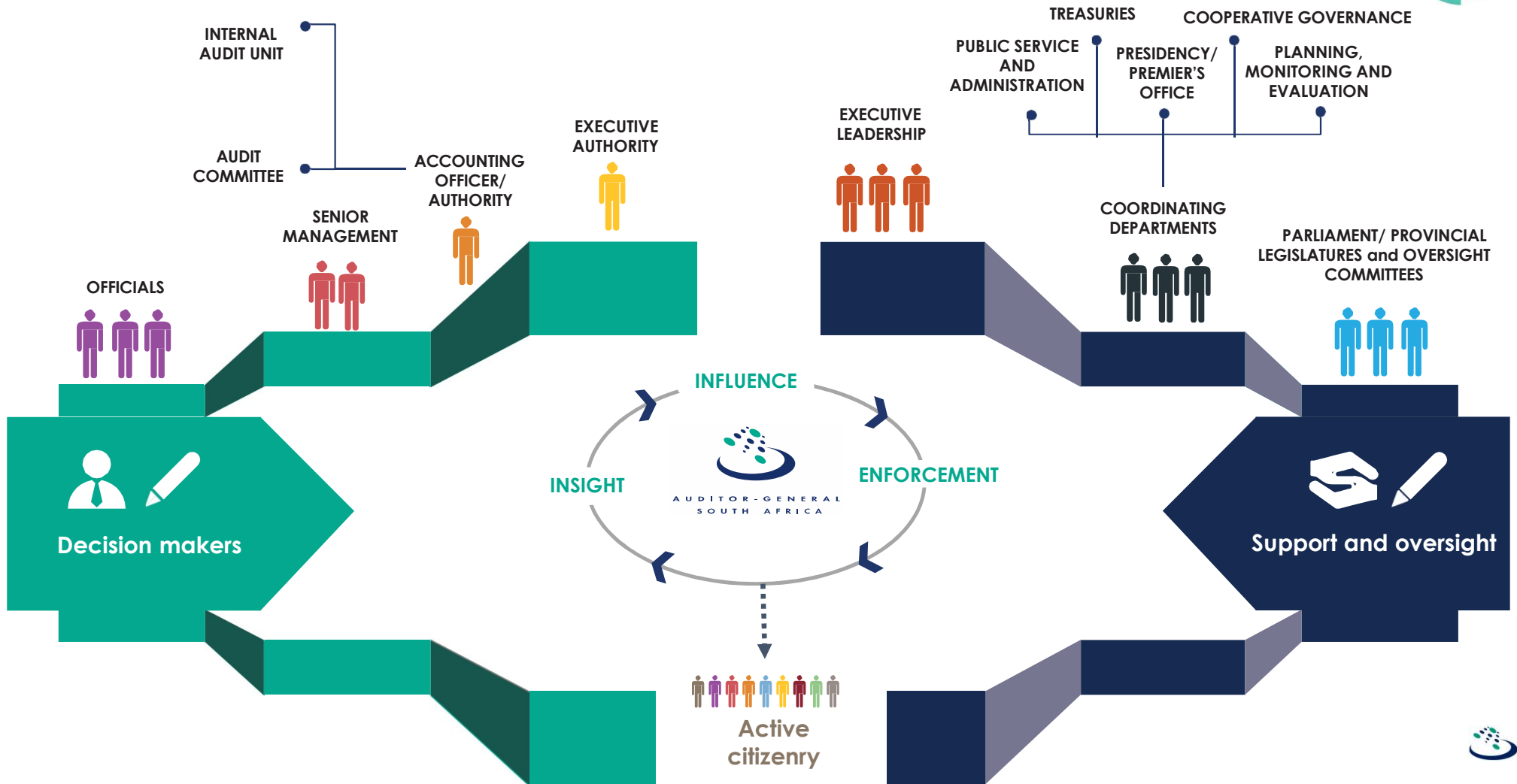
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

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



All have role to play in accountability ecosystem



Where we left off and responsiveness of the province to our messages

2021-22: Leverage the stable control environment and financial governance practices to have a greater impact on service delivery to the people of the province

In the past the province has always been responsive to our messages and have shown commitment and action to improving service delivery to the people of the province. However, their commitments remain in progress with no significant measureable impact apart from maintaining their current outcomes. We have also seen a citizen centric culture by provincial government engaging with and listening to the citizens on various platforms.



21-22: Provincial leadership to intensify the reviews of the annual performance plans and report in line with the requirements of the performance management and reporting framework to ensure that the processes of information gathering for predetermined objectives are aligned to the technical indicator descriptions.

Reflection: The actions implemented by the Premier and accounting officers and authorities yielded positive results at two public entities, however further intensification of efforts is required at two service delivery departments, Education and Human Settlements.

21-22: Provincial leadership to use the skills and best practices already in place at departments to assist those that have matters on contract and procurement management.



Reflection: Further intensification of efforts is required in the province to reduce irregular expenditure of R360 million (PY: R330m). The two main contributors were Human Settlements (R171 million) and Education (R98 million), accounting for 75% of the province's irregular expenditure. For these two departments 95% of the current year irregular expenditure related to non-compliance on contracts in prior years.



21-22: Provincial leadership continue to support and engage the chairperson of the accounting authority and chief executive officer of WESGRO to address the qualification and compliance root causes and aim to achieve a clean audit.

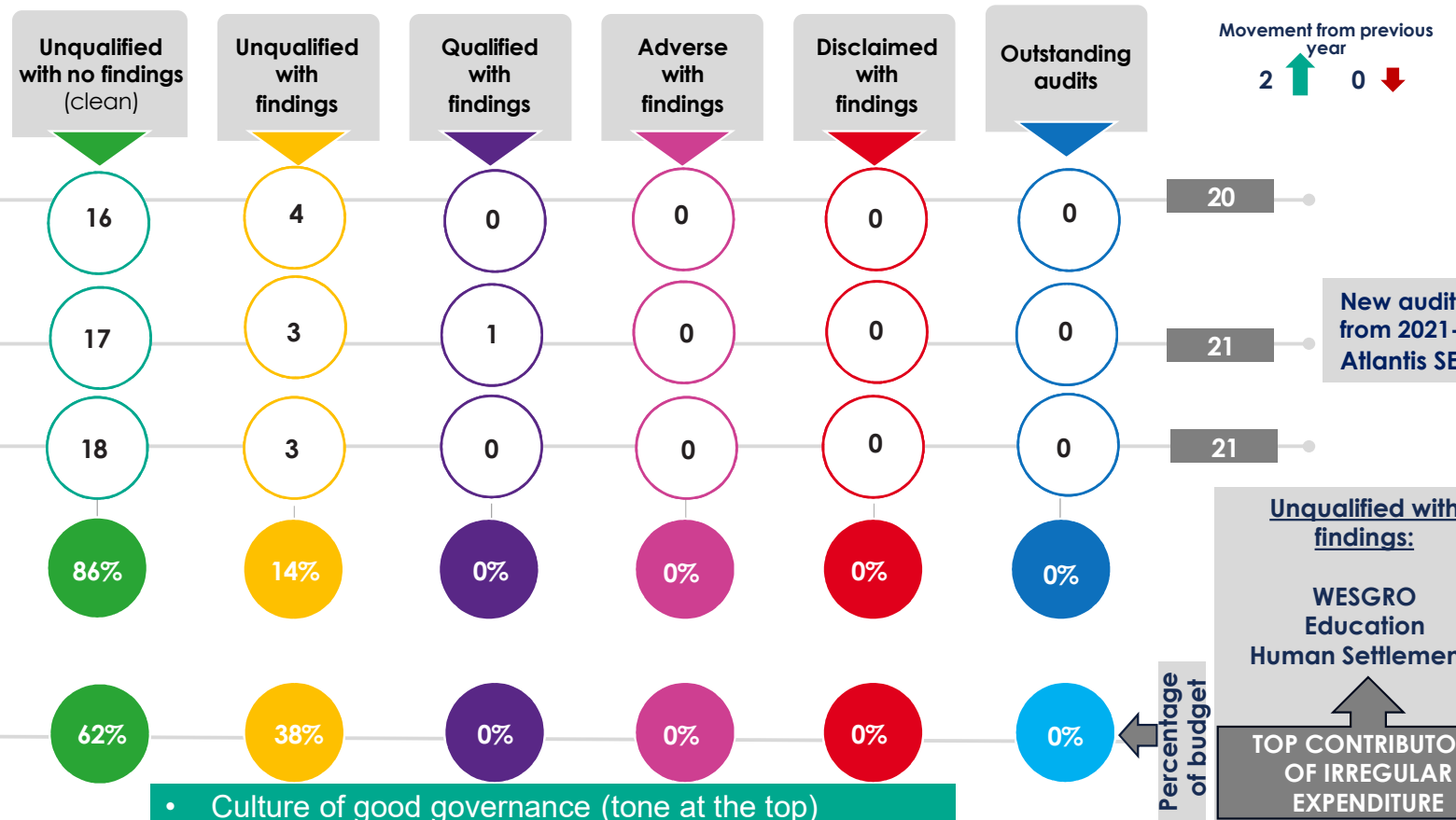
Reflection: The entity was **successful** in addressing the qualification on PPE. The timing of the improvements in the SCM unit were not in time to avoid further non-compliance in the 2022-23 year. The entity must maintain the improved control environment to achieve a clean audit in the 2023-24 year.

21-22: Department of the Premier should continue the coordination with Provincial Treasury (PT), Local Government (LG) and other partners in the accountability ecosystem so that service delivery and lived experience of citizens is continuously focused on and improved.



Reflection: The collaboration between the three departments is reflected in the sustained overall audit outcomes. Department of the Premier reviewed annual performance plans for alignment to national and provincial goals (MTSF) and also monitors actual performance on a quarterly basis. However, in the housing space the province still continues to struggle with the need and delivery. They are still finding ways to better manage the current and future needs within the infrastructure space through the formation of the Department of Infrastructure.

Overall improvement in audit outcomes (GR applicable auditees)



Drivers of improvements:

- Leadership's **timely responsiveness** to recommendations (Wesgro and Casidra).
- **Continuous review** of performance information. (Casidra)

Drivers of good outcomes










- Culture of good governance (tone at the top)
- Embedded financial management disciplines
- CGRO process
- Accountability at auditee level

2022-23 expenditure budget R80,90 billion



QUALITY OF FINANCIAL STATEMENTS

 Timely submission and quality of financial statements	Movement from previous year	2022-23	2021-22	Movement over 4 years	2019-20
Submission of financial statements by legislated date (all auditees)		100%	100%		100%
Quality of financial statements submitted for audit		100%	95%		100%
Quality of published financial statements		100%	95%		100%

Wesgro addressed their qualification from the 2021-22 financial year



QUALITY OF PERFORMANCE REPORTING

A performance report accounts for achievement of performance promises made by an auditee in their plans

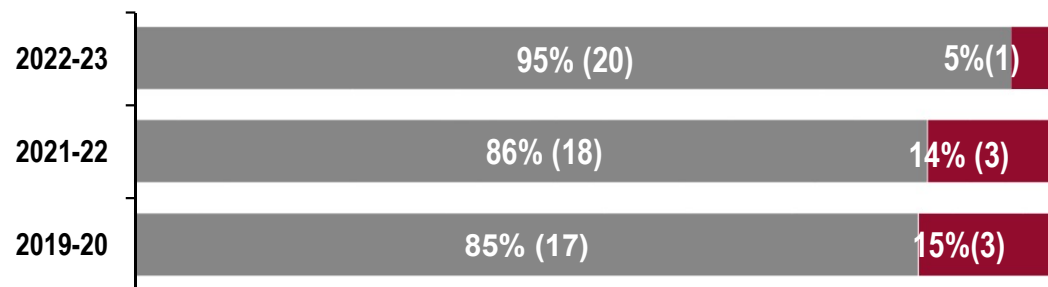
Quality of performance reports	Movement from previous year	2022-23	2021-22	Movement over 4 years	2019-20
Quality of performance reports submitted for audit		81%	67%		65%
Quality of published performance reports		90%	81%		90%

19% had no material findings only because they corrected all misstatements identified during the audit

Finding	This means	Movement from previous year	2022-23	Movement over 4 years
Achievement reported not reliable	Services reported as delivered may not have taken place at all or were fewer than those reported		10%	
Performance indicators and targets not useful	Measures used to plan for service delivery not good enough to enable delivery of planned services		0%	
No underlying records or planning documents	We could not confirm anything on the performance report		0%	



NON-COMPLIANCE REMAINS RELATIVELY LOW



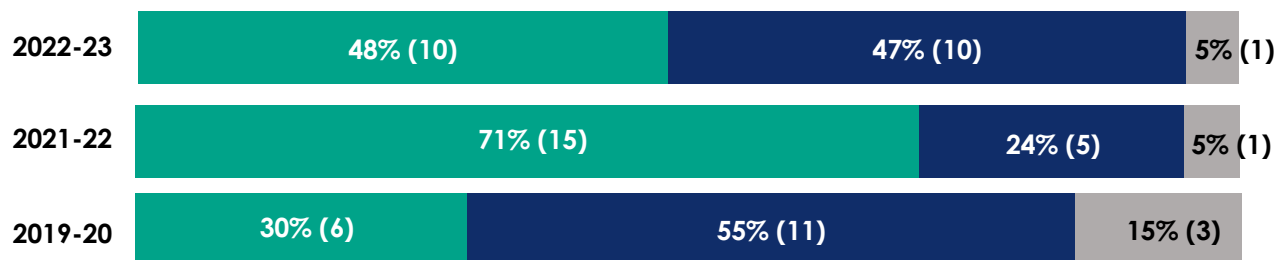
● No material findings ● Material findings

Most common areas of non-compliance	Movement from previous year	2022-23	2021-22	Movement over 4 years	2019-20
Procurement and contract management	▶	5%	5%	▲	15%
Quality of financial statements	▲	0%	5%	▶	0%
Late submission of financial statements	▶	0%	0%	▶	0%
Prevention of irregular expenditure	▲	5%	10%	▼	0%



SUPPLY CHAIN MANAGEMENT (SCM)

Status of compliance with SCM legislation



■ With no findings
 ■ With findings (MR)
 ■ With material findings (AR)

Details of SCM non-compliance	Movement from previous year	Movement over 4 years
Uncompetitive and unfair procurement processes	 6 auditees	
Procurement from suppliers without SARS Tax clearance	 2 auditees	
Local content	 5 auditees	



ANNUAL IRREGULAR EXPENDITURE

incurred by 15 auditees



ANNUAL IRREGULAR EXPENDITURE INCURRED



TOP CONTRIBUTORS

 Human Settlements	R171,2 m
Education	R98,2 m
 Wesgro	R66,2 m

 No qualifications on irregular expenditure.

 **Key reason for increase**
Human Settlements and Education account for 75% of the province's irregular expenditure. For these two departments 95% of the current year irregular expenditure related to non-compliance on contracts in prior years.

THANK YOU



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