



AUDITOR - GENERAL
SOUTH AFRICA

PFMA 2023-24

MATERIAL IRREGULARITIES: HUMAN SETTLEMENTS PORTFOLIO

20 March 2024

A culture of accountability will improve service delivery



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.

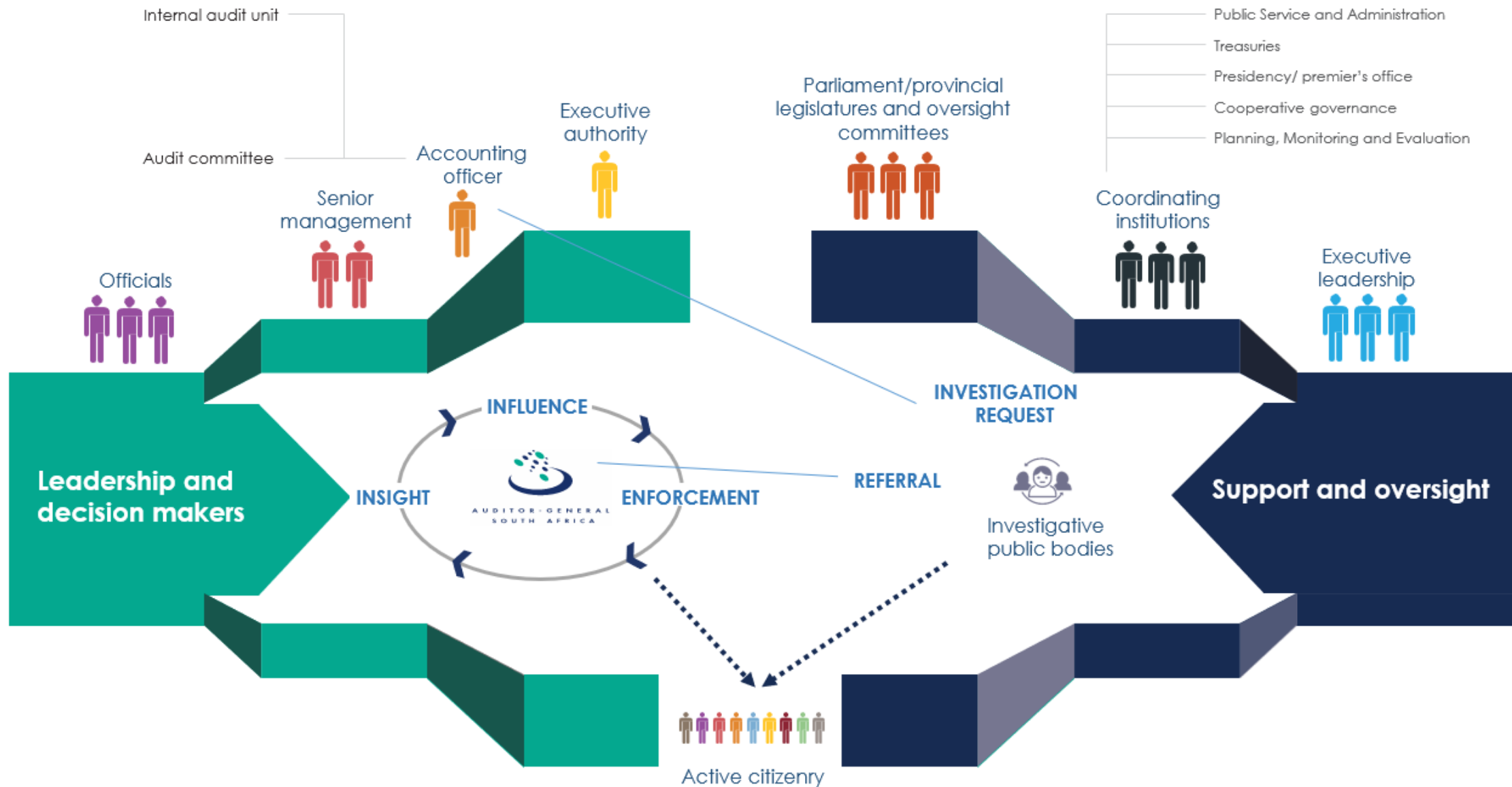


VISION

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



All have a role to play in accountability ecosystem



Our expanded mandate **did not change the role and responsibilities** of the **accounting officer** or the **oversight** and monitoring roles of the **MEC** and the **Provincial Parliament** to prevent and deal with irregularities. Through the material irregularity process, we strengthen them in this role.

Ultimately, the amendments were meant to establish a **complementary** enforcement mechanism to strengthen public sector financial and performance management so that these **material irregularities can be prevented**, or can be **dealt with appropriately** if they do occur.

The overall aim of our expanded mandate is to:

Promote better accountability

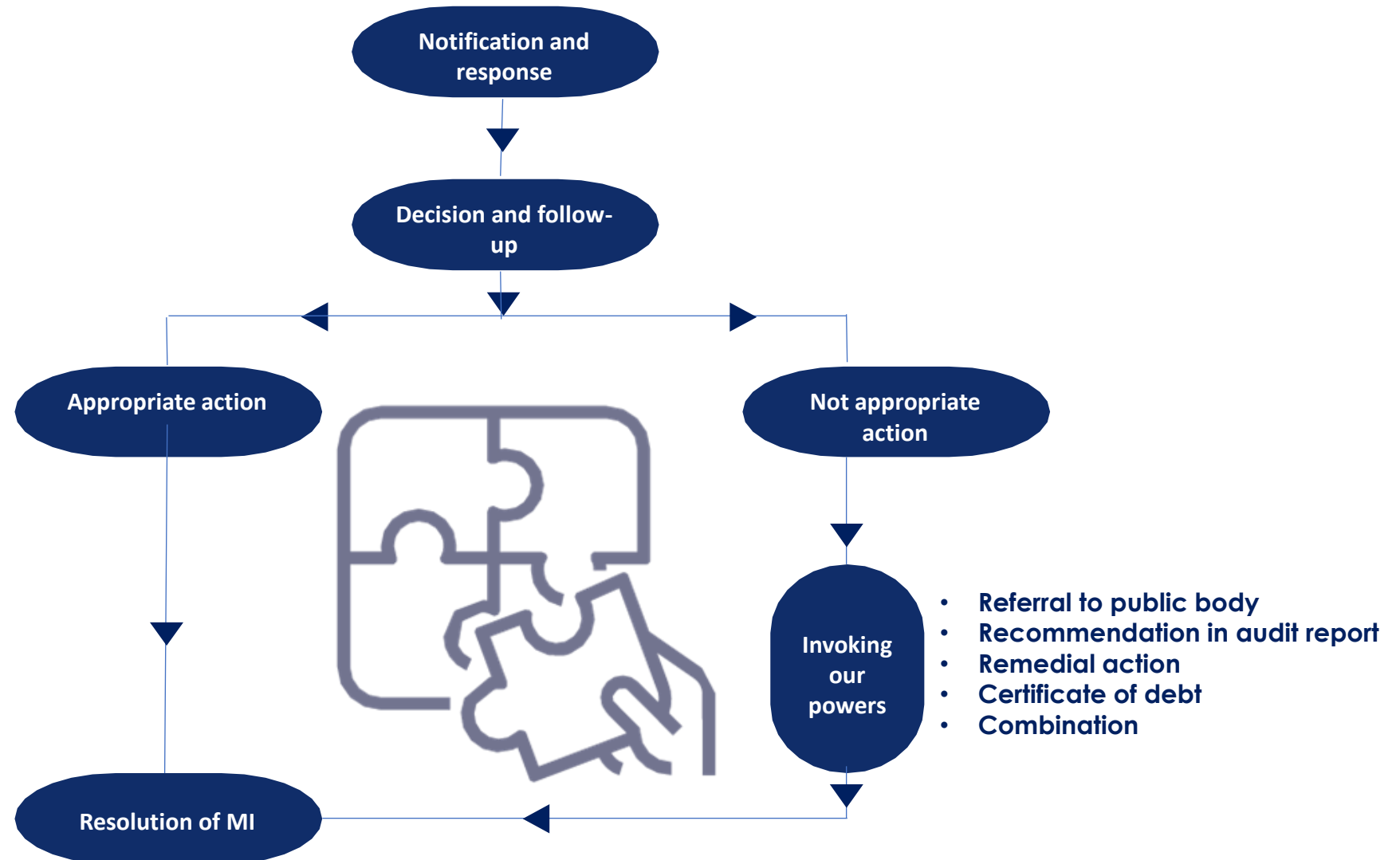
Improve the protection of resources

Enhance public sector performance and encourage an ethical culture

Strengthen public sector institutions to better serve citizens.



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**



Material irregularities (MIs) identified, nature and status

266 MIs on non-compliance and suspected fraud resulting in:

- 240** material **financial loss** (estimated R14,34 billion)
- 9** Misuse of a material public resource
- 3** substantial **harm to the general public**
- 14** substantial **harm to the public sector institutions**

Nature of material irregularities identified since implementation of MI process



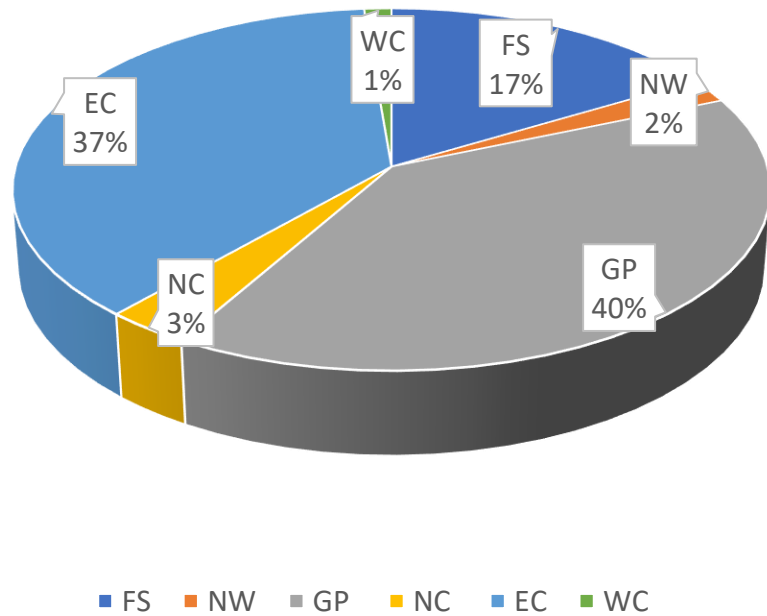
Status of material irregularities

- 79** Resolved MI
- 75** Appropriate action taken to resolve MI
- 32** Appropriate action not taken – decision on invoking powers in process
- 23** Recommendations included in audit report
- 8** Referral to other investigating bodies
- 6** Referral and recommendation
- 1** Referral and remedial action
- 26** Response received on notification – in process of assessing action
- 16** Recently notified



24 MIs on non-compliance and suspected fraud resulting in:

Material loss amounted to R449m



Nature of material irregularities identified since implementation of MI process



Material irregularities identified in areas highlighted in previous reports

Procurement and contract management

5

Non-compliance in procurement processes resulting in **Contract not awarded to the highest scoring** (4 EC & 1 GP)

Payment to incorrect beneficiary

2

Payment made to an **incorrect beneficiary** (GP & WC)

Over-payments

4

Payments were made above **original prices** as per the **valuations, invoices** (2 NW & 2 FS)

Extension could be avoided

6

"**Extension of time claims** relating to Covid-19 that **could have been avoided** (FS)

Goods not delivered

6

Payment for **goods or services not received or could not be verified** (2 EC; 1 FS; 1 GP and 2 NC)

Harm to public

1

" **Non-compliance with the Gauteng Housing Act** as key performance indicators related to the mandate were not achieved (GP)

- The Provincial PC should ensure that the AOs are held accountable for both their actions taken to address MIs and the timeliness of their efforts in resolving these matters.
- Investing in preventative measures to avoid MIs is more effective than dealing with the consequences when they occur.
- Internal audit units and audit committees can be of great value – to assess risks, recommend good preventative controls and monitor implementation.





From **IN**ACTION to **AC**TION

An MI is resolved when an accounting officer took all possible steps to:

- Recover financial losses or remove/address harm caused
- Implement consequences
- Prevent any further losses and harm; also through improved internal controls

Status of 24 MIs:

	12	Resolved MI (4 EC, 5 FS, 2 GP, 1 WC)
	3	MIs are still assessed by the Material Irregularities Unit (MIU) (2 EC & 1 NC)
	1	The AO is waiting for the forensic report from the Office of the premier (GP)
	6	Referral to the DPCI for further investigation (4 FS & 2 NW)
	4	Recommendations included in the audit report (NC, NW & WC)
	1	Harm MI – Audit team assessing response from accounting officer (GP)



RESPONSIVE ACCOUNTING OFFICERS TOOK ACTION



R23m

Financial loss **prevented** from taking place

R26m

Financial loss **in process of being recovered**

6

Internal controls improved to prevent recurrence (EC, FS, GP, NC, NW & WC)

18

Responsible officials identified and disciplinary process completed or in process (15 EC; 3 GP)

1

Investigations instituted (1 GP)

6

Supplier contracts stopped where money was going to be lost (EC)





12

No appropriate action being taken – invoked our powers

Greater impact can be made through:

- Swifter and timely action taken by accounting officers as to respond to MIs and implement preventative controls to improve the overall control environment.
- Regular monitoring of progress in implementing planned actions by executive authorities and oversight structures.

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

Provincial

Human Settlements (NW) - 2
Human Settlement (NC) - 1
Human Settlements (WC) - 1

4 Remedial action taken

Province

Human Settlements (FS) – 4

6 Referral to public bodies for further investigation

Provincial

Free State - 4 referred to Directorate for Priority Crime Investigation (DPCI)
North West - 2 Referral to DPCI



Accountability Eco-System ROLE PLAYERS

1 **Accounting officers** should establish an ethical culture and foster accountability by ensuring timely consequence management whilst also prioritizing the monitoring of preventative controls.

2 **Executive authorities and leadership (President and premiers), Parliament and legislatures, their committees, and coordinating institutions** should work together to identify common indicators that leads to irregularities, losses and harm; insist that **accounting officers and authorities** address any identified irregularities; and monitor the progress made in resolving them.

3 **Executive authorities and oversight committees** should adopt a proactive approach geared towards preventing MIs and with the help of **coordinating institutions** should strengthen processes relating to investigations.

4 **Portfolio committees** in Parliament responsible for **public bodies** should request regular reports on the status of investigations and must pursue any unreasonable delays. **Public bodies** should collaborate effectively with other stakeholders involved in the MI process.

Human Settlement

1 Continue to showcase the positive impact of implementation of our expanded powers to **provincial parliamentary human settlements committees** to encourage the swift resolution of MIs, thereby enabling greater impact.

2 Advocate to **provincial parliamentary human settlements committees** for greater accountability where there are unreasonable delays by accounting officers and public bodies in resolving MIs.

3 Continue to ensure that **the AOs are held accountable** for both their actions taken to address MIs and the timeliness of their efforts in resolving these matters.





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