

Real-Time Audit Plan Disaster relief funding



AUDITOR-GENERAL
SOUTH AFRICA

BACKGROUND

1. Following events, the government declared a national state of disaster in terms of section 27(1) of the Disaster Management Act 57 of 2002, and the interventions announced by the president on 18 April 2022 will follow a phased approach, focusing first on immediate humanitarian relief, then on stabilisation and recovery (including rehousing people who have lost homes and restoring services) and finally on reconstruction and rehabilitation.
2. The AGSA will conduct real-time audits on the emergency flood relief funds government made available as per the president's announcement.



WHAT WILL WE DO

3. A real-time audit is an early audit aimed at preventing, detecting and reporting on our findings to ensure those responsible (accounting officers (AO) and accounting authorities (AA)) can respond immediately to weaknesses in controls to prevent further leakage, potential fraud and wastage. A real-time audit also enables immediate oversight and timely corrective action.
4. The audit is still reactive and transactions must take place before the audit can provide independent assurance. With the risks prevalent, e.g. procurement and contract management, value for money and fraud risk, the audit will provide assurance that the purchased goods or services were of the right value and quality, and they reached the intended beneficiaries. The audit must also determine whether the transactions performed complied with the requisite laws and regulations.
5. A normal audit process will be followed, i.e. conducted by selecting high-value/high-risk transactions. These transactions will be subject to an audit process and findings and recommendations shared promptly with the AO for them to formally respond. The responses will be evaluated and the resultant audit findings will be finalised.
6. The real-time audit is performed by multidisciplinary teams, consisting of fraud, information-technology and sector-specific experts supporting the regulatory auditors to provide relevant insights on risks and operations relating to the disaster relief funding.
7. We already issued letters to AOs containing our preventative controls guides on infrastructure spending and procurement of goods and services to aid in strengthening the control environments by implementing required preventative controls.
8. A report on key risks, observations and recommendations made through the covid audits will be provided to aid departments to be cognisant of the risks to mitigate in the disbursement of disaster relief funds.

FINANCIAL IMPLICATIONS

9. As with our normal audits, the cost of the audit will be determined by an hourly rate and charged to the affected auditee.

WHAT WE WILL AUDIT

10. All four sources of funding will be considered (reprioritisation in existing national, provincial and municipal budgets, disaster relief/response conditional grants, reallocation of other conditional grants and use of the contingency reserve for 2022-23).
11. Amounts identified thus far by auditors through confirmation from accounting officers are:
 - **KZN:** R1 billion (human settlements – R922 million, social development – R90,7 million)
 - **National departments:** R8,75 billion (SASSA – R85 million, DWS – R65 million, Sanral – R5,7 billion, Prasa – R2,9 billion).
12. Thus far, we have no confirmation of amounts in local government and other departments where activities occurred. Written confirmation of the budget and expenditure will be obtained from all the respective accounting officers.

WHOM WE WILL COLLABORATE WITH

13. The support and coordination among key role players are fundamental to the success of the real-time audit in ensuring strengthened transparency, monitoring and accountability. As AGSA we will audit, report and engage with the role players on their primary responsibilities, their coordinating institutions' responsibilities and oversight responsibilities to assess their effectiveness while fulfilling their duties in line with their mandates.
14. In line with a provincial Cabinet resolution, the **KZN provincial treasury** issued a circular about pre-award assessments and indicated that: All procurement of goods, services and infrastructure above R1 million will be subjected to a pre-award assessment undertaken by the provincial treasury prior to awarding by the AO/AA or delegated official of the department or committee.
15. In line with the AGSA's mandate, once these awards are concluded, we will perform additional tests to issue findings to support these structures.
16. We will collaborate with other state bodies through the Fusion Centre and civil society organisations, where applicable, to strengthen the insights gained.
17. We have drawn on the experience from other SAIs such as the National Audit Office of the People's Republic of China, noting that the Beijing Olympics committee has the oversight model, with all key role players effectively fulfilling their responsibilities and contributing to strengthening effective oversight.

REPORTING AND ENGAGEMENTS

18. In terms of section 5(3) of the Public Audit Act 25 of 2004, the auditor-general may, in the public interest, report on any matter within the function of the auditor-general and submit such report to the relevant legislature and to any other organ of state with a direct interest in the matter.
19. In line with section 5(3), these audit findings from the real-time audit will be shared with the accounting officers, executive authority, ministers in the Presidency and Finance, and the President before sharing it with the Cabinet and relevant oversight structures.
20. A number of special reports are to be tabled in legislatures. A standalone report is likely to be issued by August 2022. We will reflect on the real-time audit work in the upcoming general reports for the PFMA and MFMA audit cycles and compile a close-out report. Further standalone reports will be considered based on risks identified and future intervention.