



AUDITOR-GENERAL  
SOUTH AFRICA

# **CIGFARO:** **Audit outcomes** with differences and similarities of challenging areas in the three spheres of government

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April 2022



## MISSION (OUR REPUTATION PROMISE)

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.



# PRESENTATION OUTLINE



Reflection on the three spheres of government



Who are the role players in the accountability eco-system

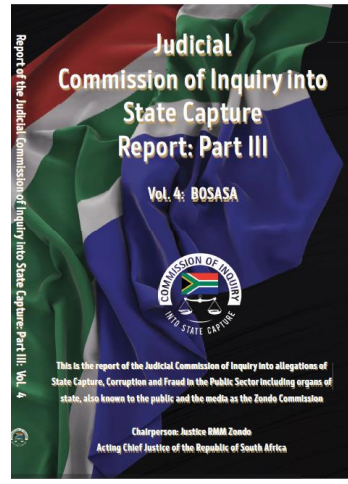
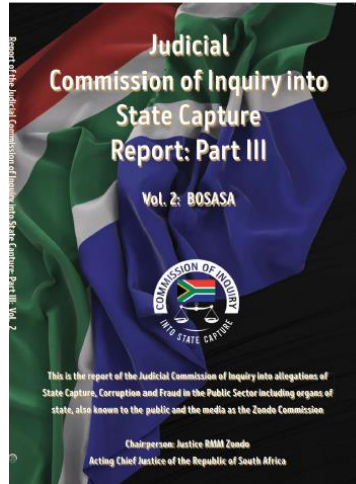
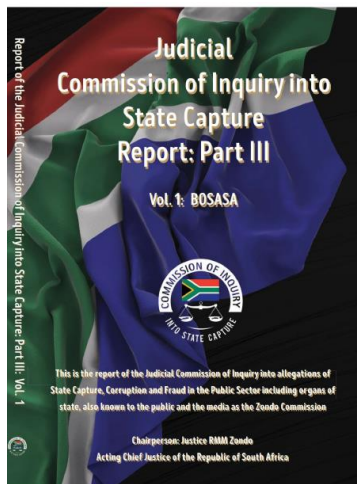
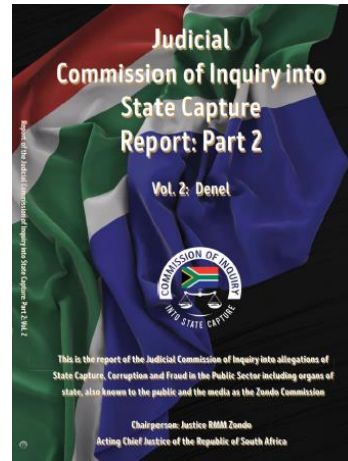
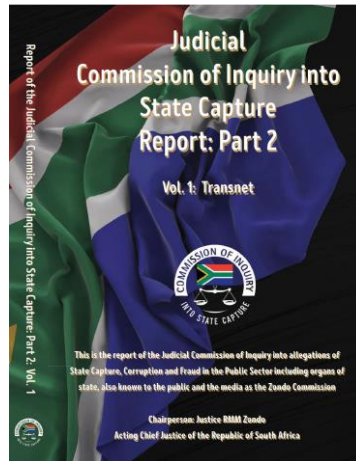


Our message





# REFLECTIONS ON THREE SPHERES OF GOVERNMENT



# REFLECTIONS ON THREE SPHERES OF GOVERNMENT



## MATERIAL IRREGULARITIES

The amendments to the Public Audit Act became effective on 1 April 2019. These amendments provide us with an expanded mandate to go beyond auditing and reporting in an effort to strengthen the accountability mechanisms across government, mainly through the material irregularity (MI) process.





# REFLECTIONS ON THREE SPHERES OF GOVERNMENT

## KEY SERVICE DELIVERY DEPARTMENTS

The audit outcomes of the key service delivery departments within the sectors of health, education, human settlements and public works lag behind those of other departments, indicating weaknesses in financial and performance management and compliance with legislation.

### Local government finances continue to worsen:

- Over a quarter (26%) – significant doubt on ability to continue as going concern
- Municipal debtors not recoverable (average 63%) resulting in creditors greater than available cash at year-end for almost half of municipalities (49%) and average creditor-payment period of 209 days
- Large portion (36%) of estimated recoverable revenue and equitable share used for salaries and council remuneration – only 2% of expenditure towards maintenance
- High unauthorised expenditure (R14 billion) and 30% ended year with a deficit

### SOEs under business rescue or liquidation

- The South African Airways – exited business rescue on 30 April 2021
- Mango (subsidiary of SAA) – still under business rescue
- LMT products (subsidiary of Denel) – out of business rescue and now sold. No longer a subsidiary.
- LMT Holdings, LMT engineering, LMT Properties, Denel Aerostructures (all subsidiaries of Denel) – under liquidation since June 2021
- South African Express Airways – under provisional liquidation

### Project deficiencies left unattended

- Inadequate needs assessment and project planning
- Ineffective monitoring of project milestones and contractors/ implementing agents
- Underperformance by contractors without consequences
- Contractors not paid on time
- Failure in intergovernmental coordination and collaboration

### What we found again

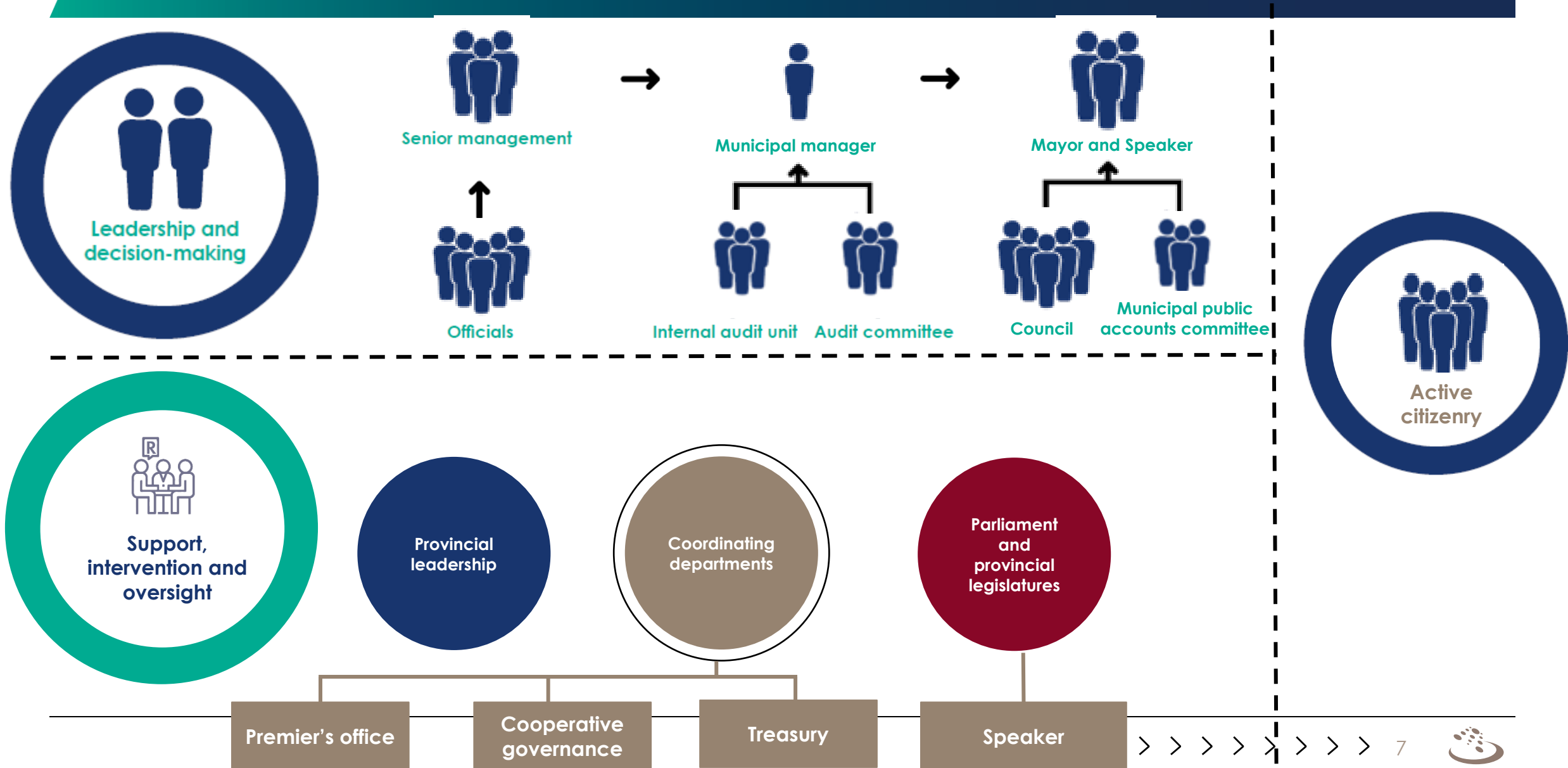
- Delayed completion of projects
- Increased project cost and financial losses
- Quality defects
- Completed infrastructure not commissioned or not utilised

### The impact remains

- Continued shortage of housing, good school infrastructure and access to health facilities
- Poor quality infrastructure - shorter useful life and expose public to harm
- Money wasted - could have been spent on other infrastructure priorities



# THE ACCOUNTABILITY ECO-SYSTEM



# OUR MESSAGE – LEADERSHIP SHOULD LEAD THE CHANGE

“Only a capable, efficient, ethical and development-oriented state can deliver on the commitment to improve the lives of the people of this country.” – *President Cyril Ramaphosa*

**Accounting officers  
and senior  
managers**



Tone at the top – ethical leadership, service-orientation, good governance and accountability

**Internal audit and  
Audit committees**



For any endeavour to succeed, everyone involved should share a common goal and understand and embrace the role they play in achieving that goal.

**Provincial  
leadership**



All these role-players should diligently execute their responsibilities, abide by the applicable rules and take full accountability for their part

**National  
Leadership**



**Legislatures,  
councils and  
oversight structures**

Consistent, appropriate and swift consequences for accountability failures





Together **we**  
**can make a**  
difference in  
the lives of the  
citizen



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