



AUDITOR-GENERAL
SOUTH AFRICA

SCOPA BRIEFING: GAUTENG PFMA AUDIT OUTCOMES 2022/23

19 October 2023

*Audit outcomes improved due to strong leadership tone,
but more attention needed to address non-compliance
with laws and further improve service delivery*

MISSION AND VISION



VISION

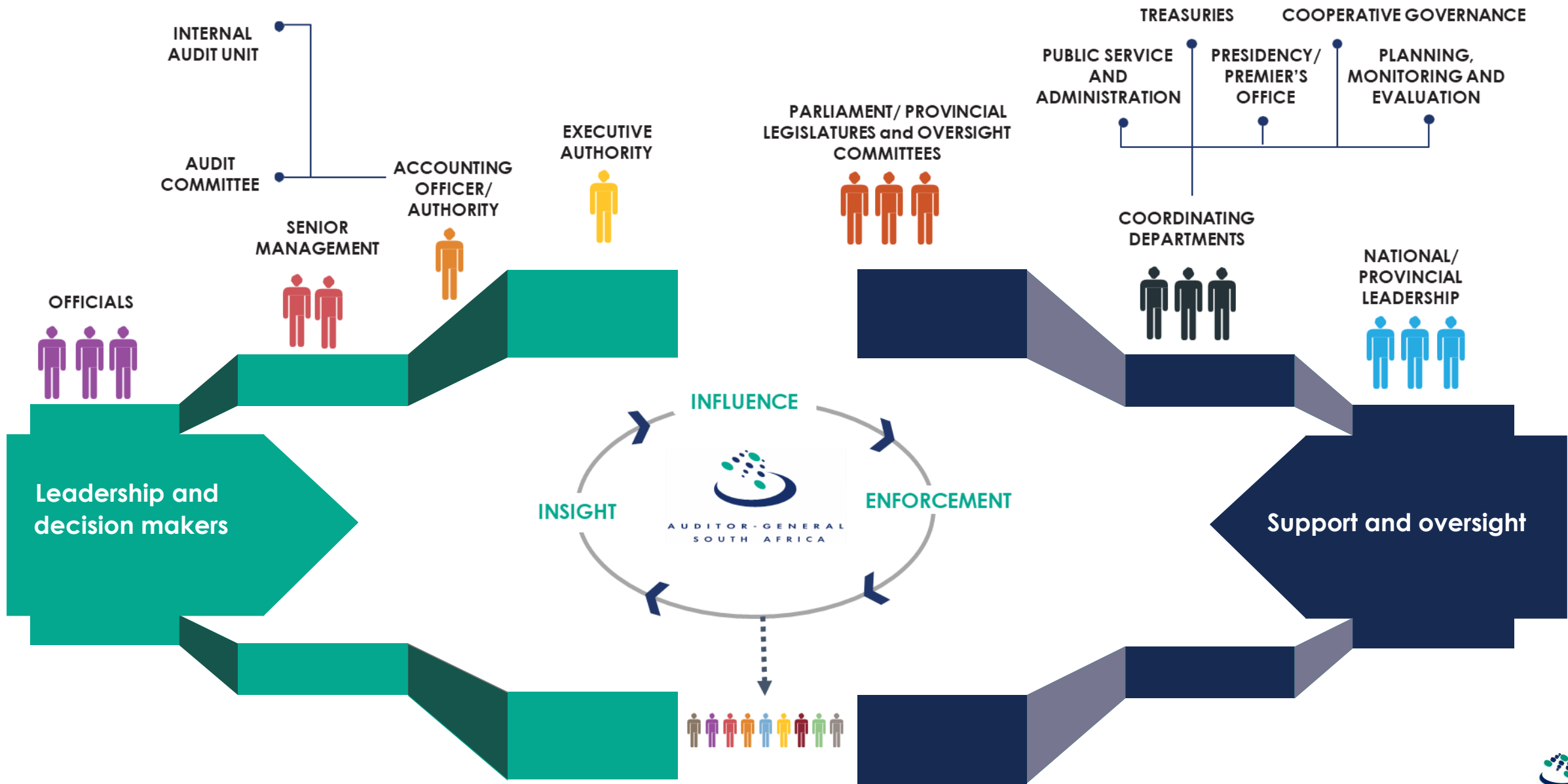
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

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 a role to play in the accountability ecosystem



Overall audit outcomes show an improvement trend

**Movement
Audit
outcome**

	Improved 7	Unchanged 25	Regressed 1	New auditee 1
Unqualified with no findings = 18	<ul style="list-style-type: none"> ❑ Gauteng Department of Economic Development ❑ Gauteng Department of Education ❑ Dinokeng ❑ Gauteng Liquor Board ❑ Cradle of Humankind 	<ul style="list-style-type: none"> ❑ Gauteng Office of the Premier ❑ Gauteng Provincial Treasury ❑ Gauteng Department of e-Government ❑ Gauteng Growth and Development Agency SOC Limited ❑ Supplier Park Development Company SOC Limited trading as AIDC ❑ Gautrain Management Agency ❑ Gauteng Film Commission ❑ Gauteng Provincial Legislature ❑ Gauteng Infrastructure Financing Agency ❑ Gauteng IDZ Development Company SOC Limited ❑ Constitution Hill Development Company SOC Limited ❑ The Innovation Hub Management Company SOC Limited ❑ Gauteng Department of Cooperative Governance and Traditional Affairs 	-	-
Unqualified with findings = 14	<ul style="list-style-type: none"> ❑ g-Fleet Management ❑ Gauteng Department of Roads and Transport ❑ Human Settlements 	<ul style="list-style-type: none"> ❑ Gauteng Department of Health ❑ Gauteng Department of Agriculture and Rural Development ❑ Gauteng Medical Supplies Depot ❑ Gauteng Department of Sport, Arts, Culture and Recreation ❑ Gauteng Department of Social Development ❑ Gauteng Enterprise Propeller ❑ Gauteng Department of Infrastructure Development ❑ Gauteng Department of Community Safety ❑ Gauteng Tourism Authority ❑ Gauteng Partnership Fund 	<ul style="list-style-type: none"> ❑ Gauteng Gambling Board 	<ul style="list-style-type: none"> ❑ Transport Authority for Gauteng
Qualified with findings = 0	-	-	-	-
Disclaimed with findings = 1	-	<ul style="list-style-type: none"> ❑ Gauteng Housing Fund 	-	-



IMPROVED AUDIT OUTCOMES

- Overall improvement in audit outcomes and an increase in clean audits showed the responsiveness of the accounting officers at these auditees in setting the right tone and positively shifting towards a desirable culture
- Specifically for auditees that improved their qualifications, accounting officers need to continue to track and monitor the financial control disciplines, to continue monitoring the post-audit action plans to sustain the improved audit outcomes.



MATERIAL IRREGULARITIES

The material irregularity process continues to gain traction with accounting officers implementing actions committed to resolve MIs issued. We encourage oversight and governance structures to continue to monitor the implementation of actions by accounting officers to ensure that all material irregularities are quickly resolved.

PERFORMANCE REPORTING

- Reporting disciplines for performance reporting requires improvement and compliance monitoring needs further attention.
- Performance plans and targets set needs to be monitored closely to track achievement, and timeously address challenges that impact achievement of targets.

FINANCIAL HEALTH

- The province's financial health remains viable, reflecting good disciplines of effective budgeting and spending.

STONE ON THE TOP

- Departmental leadership and the premier's office need to continue to strengthen and monitor the achievement of targets and ensure that budgets spent align to actual service delivery to have a more positive impact.
- We call on leadership to continue to intensify and coordinate efforts to eliminate non-compliance and improve oversight of departments entrusted with key service delivery mandates in the province



Irregular expenditure

Irregular expenditure (IE) incurred

2022-23: R5, 731 billion (23 auditees)

2021-22: R7, 034 billion (23 auditees)

Fruitless and wasteful expenditure (FWE) incurred

2022-23: R105 million (23 auditees)

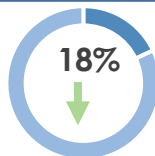
2021-22: R373 million (23 auditees)

Top five IE incurred in the current year

1. Department of Roads & Transport – R 2,3 bn (21-22: R2, 5 bn)
2. Department of Health – R 2,2 bn (21-22: R 2,6bn)
3. Department of Education – R 575 mil (21-22: R812mil)
4. Department of Human Settlements – R 382 mil (21-22: R3,6 bn)
5. Department of Infrastructure Development – R158 mil (21-22: R339 mil)

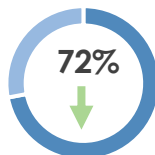
Top five FWE incurred in the current year

1. Department of Infrastructure Development – R48 mil (21-22: R22 mil)
2. Department of Human Settlements – R 33 mil (21-22: R12 mil)
3. Department of Health – R 15 mil (21-22: R17 mil)
4. Departments of Agriculture and rural developments – R5,5 mil (21-22: R14 mil)
5. Department of Roads and Transport – R 2,5 mil (21-22: R284 mil)



Overall decrease in IE incurred as a result of:

- Legacy contracts condoned by Gauteng Provincial Treasury which regularised the expenditure (Education and Economic Development)
- Improved compliance monitoring controls



Overall decrease in FWE incurred as a result of:

- Improved compliance monitoring controls
- No 30 days findings identified

Impact of irregular expenditure incurred

The main cause of the irregular expenditure (IE) is due to non-compliance with the supply chain management (SCM) prescripts

R5,731 billion

Negative impact on government socio-economic objectives of empowering previously disadvantaged individuals and small businesses e.g.

- Competitive bidding process not followed
- Goods procured from expired contracts

Impact of FW expenditure incurred

The main cause of the fruitless and wasteful expenditure (FWE) is due to Interest, charges, duplicate payments and expenditure incurred as a result of litigations

R105 million

Negative impact on government socio-economic objectives of empowering previously disadvantaged individuals and small businesses e.g.

- Small businesses and individuals not paid on time resulting in business closure and loss of jobs

Unauthorised expenditure: It is commendable that there was no UE incurred in the current year.



CALL TO ACTION



Provincial leadership, governance and oversight need to continue to work together to sustain the trend that improves audit outcomes and drive sustainable service delivery.

1

- **Accounting officers** should continue to lead from the front and be responsive, with an effective monitoring and accountability culture that will ensure **senior management** implement the **basics** in financial, performance and compliance monitoring.
- **Senior management** should continue to embed the basic reporting disciplines for financial and performance reporting to ensure they continue the upward trend in audit outcomes that is aligned to positive service delivery.

2

- **Executive authority, oversight and governance** such as audit committees, internal audit, Scopa and Portfolio committees need to continue **to hold AOs accountable** for timely implementation of **audit action plans** to improve service delivery, consequence management and performance planning and reporting, to ultimately strengthen the province **to better serve the citizens**, while they **sustain** a continuing trend in improved audit outcomes.

3

- **Coordinating departments** such as the Premier, Cogta, Treasury and Legislature **have an opportunity to use their mandate in influencing outcomes for positive impact** in the province and local government.
- These departments need to **pro-actively follow up** where there is non-achievement of objectives/initiatives.



THANK YOU



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