



AUDITOR - GENERAL  
SOUTH AFRICA

# AUDIT OUTCOMES: EC PFMA

The culture of unaccountability and lack of transparency has resulted in a stagnation in audit outcomes.

Audit outcomes for the financial year ended 31 March 2024

8 April 2025





## 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

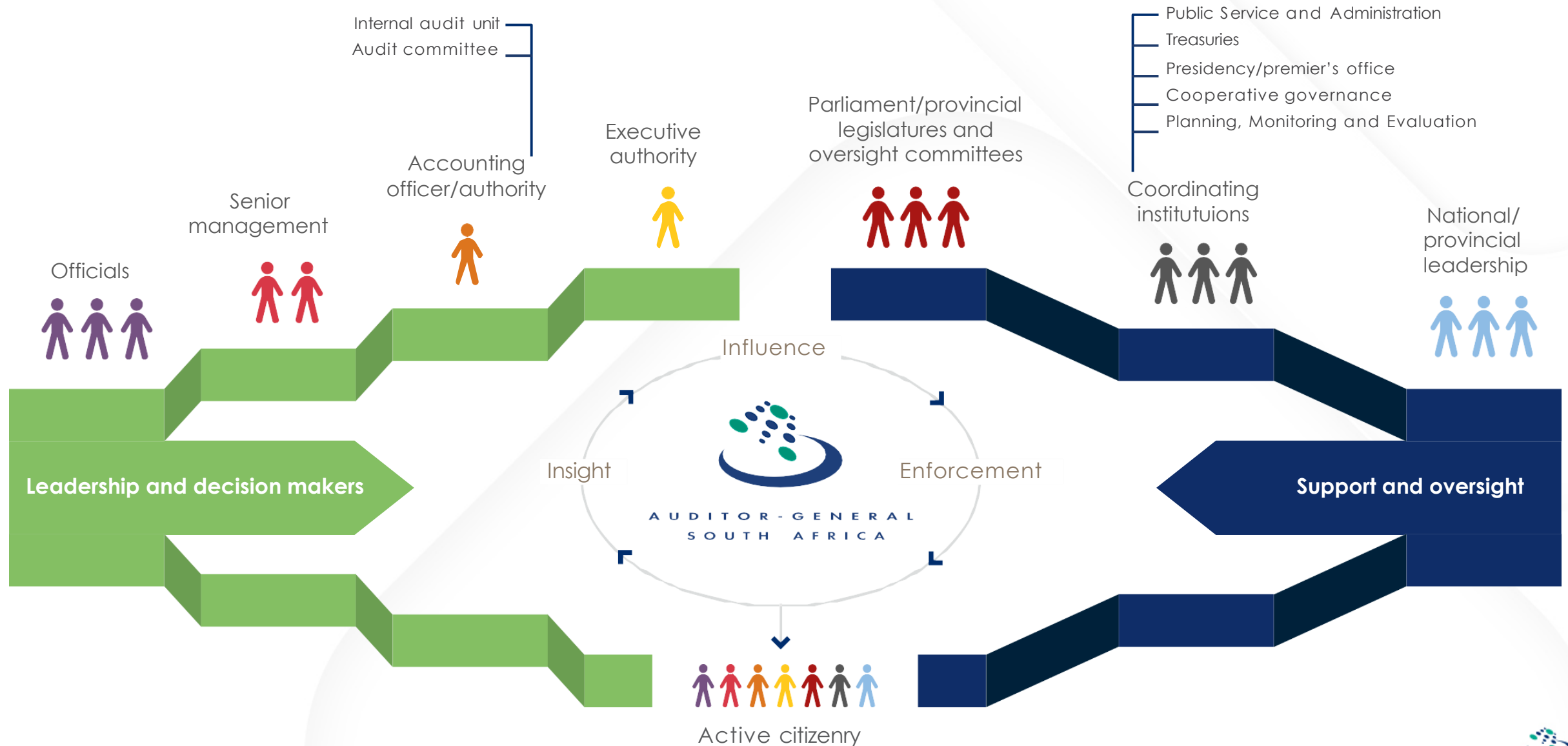


## VISION

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

# All have a role to play in accountability ecosystem

3



# Stagnation of Audit Outcomes

4

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
<b>2018-19</b>	5	11	5	0	0	0	21
Last year of previous administration							
<b>2022-23</b>	12	4	4	0	1	0	21
<b>2023-24</b>	9	9	3	0	0	0	21
	43%	43%	14%	0%	0%	0%	

Movement from previous year

3 ▲ 3 ▼

Movement from last year of previous administration

7 ▲ 2 ▼

All financial statements were submitted on the legislated date



# Movement in audit outcomes from previous year

5

<div>Movement →</div> <div>Audit outcome ↓</div>	Improved 3	Unchanged 15	Regressed 3
Unqualified with no findings = 9		<ul style="list-style-type: none"> <li>• COEGA Development Corporation</li> <li>• Community Safety</li> <li>• Cooperative Governance and Traditional Affairs</li> <li>• EC Government Fleet Management Services</li> <li>• East London Industrial Development Zone</li> <li>• EC Parks and Tourism Agency</li> <li>• Economic Development, Environmental Affairs and Tourism</li> <li>• Provincial Treasury</li> <li>• Rural Development and Agrarian Reform</li> </ul>	
Unqualified with findings = 9	<ul style="list-style-type: none"> <li>• Transport</li> <li>• Mayibuye Transport Corporation</li> </ul>	<ul style="list-style-type: none"> <li>• EC Development Corporation</li> <li>• Human Settlements</li> <li>• Public Works</li> <li>• Social Development</li> </ul>	<ul style="list-style-type: none"> <li>• Office of the Premier</li> <li>• Provincial Legislature</li> <li>• Sport, Recreation, Arts and Culture</li> </ul>
Qualified with findings = 3	<ul style="list-style-type: none"> <li>• Eastern Cape Rural Development Agency</li> </ul>	<ul style="list-style-type: none"> <li>• Education</li> <li>• Health</li> </ul>	
Adverse with findings = 0			
Disclaimed with findings = 0			





## Reporting on service delivery not credible

- Findings on performance planning
- Findings on performance reporting



With no material findings

With material findings

## Exclusion of performance indicators

- Medium Term Strategic Framework (MTSF) indicators for prioritized core functions were not included in the department of Education's 2023-24 annual performance plan. Indicators to measure the following performance objectives were omitted from the planning document:
  - ❖ Lesson plans for home language literacy in grades 1 to 3.
  - ❖ Early reading assessment for grade 3.
  - ❖ Coding and robotics curriculum implementation.
  - ❖ School readiness assessment system.
  - ❖ Operationalising an ECD Education Management Information System.

### Impact

Transparency and accountability towards achieving the following MTSF objectives is negatively affected:

- 10-year-old learners enrolled in publicly funded schools read for meaning, was undermined.
- Improved school readiness of children and access to quality ECD services and support, was undermined.

## Indicators/ targets not measurable

- At ECRDA, one performance indicator related to the number of hectares of forestry planted was not verifiable as adequate processes had not been established to consistently measure and reliably report on the achievement.

### Impact

- Difficulty in determining the actual achievement to be reported against the planned objectives.
- The reported achievement was unreliable.

## Indicators/ targets not complete

- Various reported performance achievements at Health, Education, Office of the Premier, Social Development, Public Works and Rural Development Agency were not complete.

### Impact

- Actual achievement against the target was better than reported.
- Reported achievements are unreliable.

## Quality of indicators/ targets

- At ECRDA, performance indicators were not clearly defined for 3 indicators namely,
  - ❖ Number of cannabis incubators operationalised.
  - ❖ Number of red maize red hubs transformed into sustainable centres.
  - ❖ Number of support programs for citrus producers.

### Impact

- The indicators were not useful for measuring and reporting on progress against planned objectives.

# Weaknesses in performance planning and reporting (cont.)

7

## Indicators/ targets not accurate

- Various reported performance achievements at Health, Education, Public Works, Transport, Social Development, Office of the Premier and Rural Development Agency reported were not accurate.

### Impact

- Likely that the targets were not achieved.
- Reported performance information is unreliable.

## Indicators/ targets not valid

- Various reported performance achievements at Transport, Health, Education, Social Development, Human Settlements, Office of the Premier and Rural Development Agency were not valid.
- Reasons reported for over and/or under achievements at Social Development, Education and Transport were not corroborated with supporting information.

### Impact

- Likely that the targets were not achieved.
- Reported performance information, including reasons for variance are unreliable.

## Targets for key indicators not achieved

- Education did not achieve 80% of its targets for public ordinary schools and infrastructure delivery performance indicators. Health did not achieve 54% of its district health services performance indicators.
- Transport did not achieve 28% of its service delivery indicators.
- Human Settlements did not achieve 27% of its service delivery indicators.

### Impact

- Non-realisation of national priorities on education, health, social and economic aspects of the lives of South Africans.

## Examples of reported achievements not reliable (e.g. not supported by sufficient evidence)



### Example 1 (Transport- Number of kilometers of surfaced road visually assessed)

Target: 3 959km

Reported achievement: 3 661 km



### Example 3 (Public Works- Number of facilities provided)

Target: 250

Reported achievement: 250



### Example 2 (Human Settlements-Number of breaking new ground houses delivered)

Target: 7 638

Reported achievement: 6 736



### Example 4 (Social Development-Number of beneficiaries receiving psychosocial support services)

Target: 57 269

Reported achievement: 66 287

## Examples of underachievement on key programmes



### Example 1 (Education-Public Ordinary School Education)

Targets achieved: 20%

Budget spent: 100%



### Example 2 (Health-District Health Services)

Targets achieved: 45,90%

Budget spent: 101,92%



## Main root causes of inaccurate performance reporting:

1. Manual systems to record performance information
2. Lack of coordinated processes

## MTSF targets at risk of not being achieved



### Example 1 (Education-Number of children accessing ECD services)

MTSF Target: 2,98 million

Achievement after 4 years: 101 365



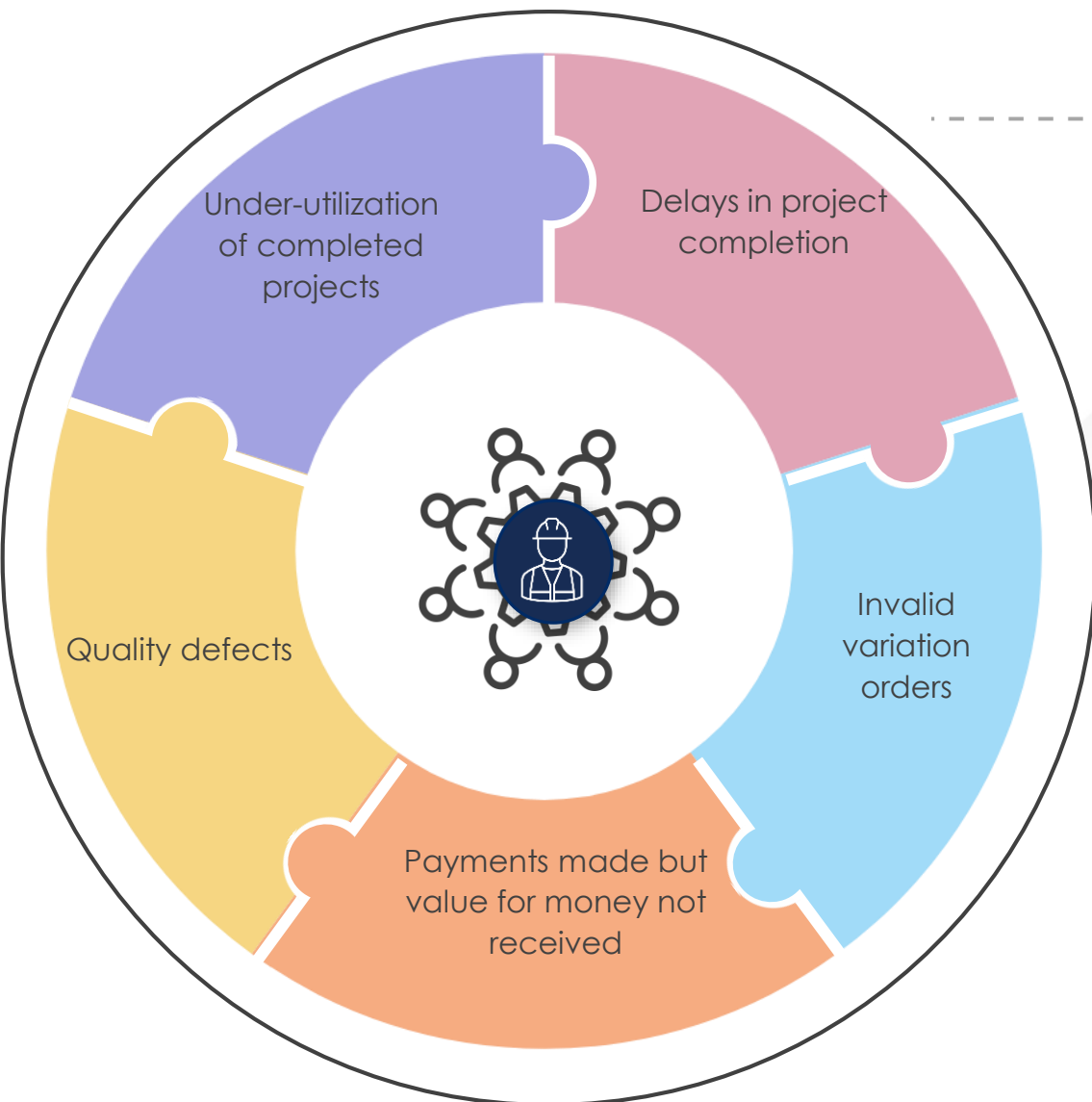
### Example 2 (Human Settlements-Number of informal settlements upgraded to phase 3 of the upgrading of Informal Settlements Programme (UISP))

MTSF Target: 1500

Achievement after 4 years: 0



## What we found:



## Root causes

- At Human Settlements management did not oversee proper contract management with regards to a non-performing contractor.
- At Transport poor monitoring, evaluation, oversight and quality control.
- At Education, failure by principal agent to discharge their duties and the department failing to refund the implementing agent to enable them to discharge their contractual obligations.
- At Health, delayed payments to the contractor and delayed action against the poor performing contractor as well as the ongoing restrictions on the recruitment of staff.

## Impact



The project has been delayed for over five years resulting in non-compliance with the South African Schools Act of providing minimum education areas.



Non-maintenance will reduce the lifespan of school/hostel buildings resulting in ineffective, inefficient, and uneconomical use of resources- and further costs to refurbish the school sooner than required.



Delayed service delivery, patients are being transferred to other hospitals.



Delayed project completion, the project was set to be completed in 25 months but has now been in progress for the past 3 546 calendar days/9 years.

The department incurred financial losses due to poor project management.

The ECDoT accepted and paid for sub-standard work from the contractors.

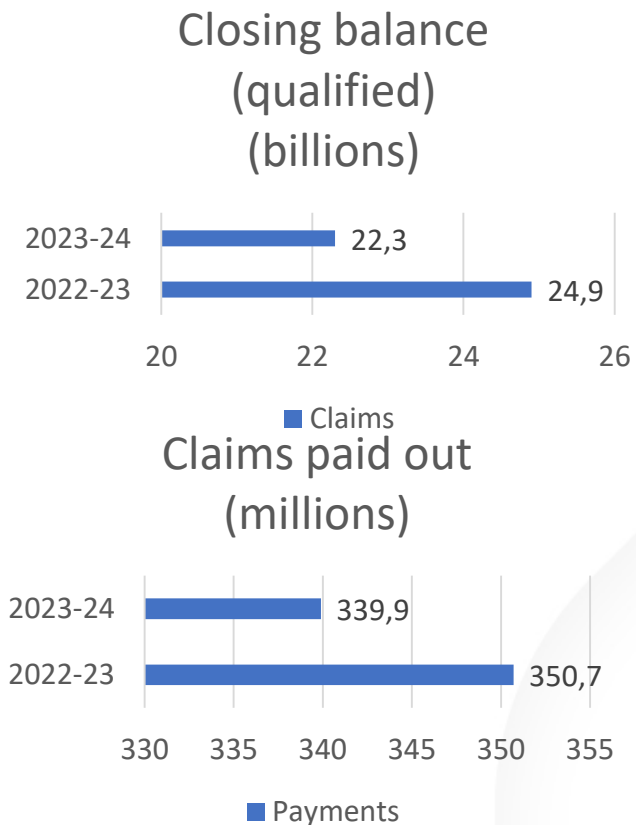
The sub-standard quality control of the gravel and poor stormwater provision could result in the road requiring earlier than anticipated maintenance or more expensive maintenance activities may be needed to keep the road in an acceptable standard.





**Medical claims related to provincial financial health, benefits of saving lives, and funds should be prioritised.**

The national department appointed a service provider to implement a standardised case management system for managing medico-legal claims across eight provinces, replacing the current excel-based tracking. Currently, the system is not implemented in the province due to management utilising the Health Management System(HMS2), which is an in-house system.



#### Reasons for the decrease in medical claims

- *Measurements adjustments applied in terms of Chapter 14 of the MCS to provide the best estimate of the expenditure required to settle obligations*
- *A significant number of claims were reclassified to provisions as the department had assessed the evidence of the cases and agreed to the liabilities*

#### Reasons for the decrease in the payments during the year

- *During the 2022/23 year the department received a court judgement allowing for the provision of healthcare services for future medical care. This impacted the 2023-24 year payments. Prior to the judgment, compensation for medico-legal claims could only be made in monetary terms and in a single lumpsum.*

#### FINANCIAL PRESSURE

Health department is experiencing financial constraints primarily through reduced budgets and the magnitude of historical and current medico legal claims brought against the department. These affect the budgets and cash flow that should ordinarily be dedicated to a full year's health system output and performance. These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the department's ability to continue as a going concern.

#### IMPACT (PAYMENTS OF CLAIMS)

- The expenditure on claims is inclusive of the payment of underfunded and unfunded medico-legal claims. The department continues to experience cash flow and budget pressures due the unfunded claims. This financial strain due to the historic lump sum payments resulted in increased accruals, late payments of suppliers and cash flows that are not adequate for the full years required output and performance for health care services.

#### Recommendation

- Management must ensure that the register for litigations reflects all the required information as per the National Department of Health standard register.
- Management to ensure that they verify the ID numbers with the National Database Register.
- The department should implement resourcing to maintain and safeguard critical medical claim information.



## What we found

- Lack of effective and continuous communication with parents and learners on learner performance.
- Lack of learner performance discussion by SMT and SGB.
- Schools did not adequately utilise the annual management process to identify and address challenges of poor performance in mathematics.
- Initiatives to assist progressed learners not effective.
- Shortage of teaching and learning resources.
- Infrastructure deficiencies.
- Schools not using ICT in the implementation of the curriculum.

## Root causes

- Policies/processes/guidelines at schools do not sufficiently detail parental involvement.
- School does not have policies that guide them or enforce them to reward learners.
- Oversight mechanisms at schools did not ensure critical factors impacting learner performance are adequately discussed and documented during SCB and SMT meetings.
- No standardised template communicated to schools to guide discussions of critical factors impacting learner performance.

## Recommendations / Call to action

- The policies/processes/guidelines at schools should include initiatives that promote effective and continuous communication and creates an environment and culture at the school of collaboration to ensure the learners academic success.

## Impact

- Parents will not have an opportunity to help their children improve their academic skills prior to the formal test.
- Detail critical factors impacting learner performance will not be accessed by SMT and SGB.
- Challenges faced by schools will not be adequately identified and reported.
- Progress learners will have difficulties in responding to questions.
- Non-compliance with norms and standards.



## What we found

### • Department of Health

- Systems were either underutilized or not functioning in hospitals (HMS2, RX & HPRS sys)
- No Internet and connectivity at Districts, hospitals & clinics visited by the team.
- Poor IT Infrastructure at the Hospitals and clinics with no Disaster Recovery Plan in place.
- Administration of medicines, and patient records was done manually with no use of systems or technology to adequately record the information and report.

### • Department of Education

- System weaknesses and deficiencies were identified in key departments' systems, such as the Learner database (SASAMS/EMIS system) and the Infrastructure asset system (EFMS system).
- IT infrastructure at head office, districts, and schools was old and non-responsive to new technology.
- Connectivity and network issues was low and not available at districts and schools found in the rural areas of the Eastern Cape affecting e-learning and e-education.

### • Department of Transport

- The scholar transport system developed was not being utilized.
- The Scholar Transport system did not interface automatically with EMIS school database.
- The Scholar Transport system did not interface automatically with the E-Natis database.

## Impact

- System down time and unavailability of critical systems & services of the departments.
- Connectivity and Network issues affect service delivery.
- Inability to recover lost data from poor IT infrastructure or system crash.
- Citizen frustration on the inability to communicate or receive services from department.

## Root causes

- No operating service level agreements (OSLA/MOU) in place with other departments.
- Insufficient funds and IT resources to drive technology initiatives as clinical and department expenses take priority.
- Key systems are owned by DBE and they can't affect changes & IT controls are decentralised and not monitored within the institution.
- External Stakeholders have implemented their own system

## Recommendations / Call to action

- IT Projects and systems that affect the province should be reported and monitored at the Provincial Eastern Cape Cabinet.
- IT investment should be done on IT infrastructure & connectivity.
- Provincial IT Intervention Plan that should be monitored and reported to the Premier



**R467,7 million** unauthorised expenditure.

**R2,7 billion** irregular expenditure.

**R148 million** fruitless and wasteful expenditure.

**R197 million** estimated financial loss from 30 non-compliance and suspected fraud material irregularities identified since 2019.

## Financial losses due to:

1

### **Poor payment practices**

- Late payment of suppliers resulting in interest.
- Payments for goods and services not received or overpayments.
- Quality of spend remains a challenge – funds spent but service delivery improvements not visible.

2

### **Unfair/uncompetitive procurement processes**

- Higher prices paid as markets were not tested.
- Most cost-effective options not selected.

3

### **Inadequate needs analyses and project management**

- Standing-time payments to contractors.
- Delays in project completion with escalating costs.
- Appointed supplier/contractor not Delivering.
- Projects were abandoned due to poor planning and coordination.

4

### **No/limited benefit received from money spent**

- Software licenses and IT systems not used.

5

### **Ineffective maintenance on infrastructure**

- Reactive approach to maintenance.
- Limited conditional assessments performed.
- Poor infrastructure = services not delivered.
- Increased cost and financial losses.
- Theft and vandalism.



## Eroding of funds and future obligations

1

- **R22,3 billion** claims against health sector.
- *Government is self-insured and does not budget in full for claims.*
- *Payments are made from funds budgeted for service delivery.*



# Material irregularities (MIs) identified and status

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**31 MIs** on **non-compliance and suspected fraud** resulting in:

**30** material **financial loss** (estimated R197 million)

**1** substantial **harm to public sector institutions**

**No actions** were taken to address **97%** of matters until we issued notifications

**MI is resolved only when all possible steps have been taken to:**

- Recover financial losses or remove/address harm caused
- Effect consequences – for officials and third parties involved
- Prevent any further losses and harm – also through improved internal controls

## Status of MIs



**19**

**Resolved MI**



**8**

**Appropriate action** taken to resolve MI

**2**

**Appropriate action not taken** – decision on invoking our powers in process



**0**

**Recommendations** included in audit report

**0**

**Referral** to other investigating bodies

**0**

**Referral and recommendations**

**0**

**Referral and remedial action**

**2**

**Response received on notification** – in process of assessing action





# Coordinating institutions – accountability ecosystem

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## Office of the Premier (OTP)

- The department regressed from a clean audit opinion in the prior year to an unqualified opinion with material findings on performance information.
- The material findings on performance information arose due to inadequate systems for some indicators that the office of the premier used to collect, collate and verify information.
- Despite the premier's office funding broadband and Microsoft licenses, departments are not using these services effectively.

## Provincial Treasury (PT)

- Provincial Treasury monitored all financial recovery plans (FRPs) in the province, the municipalities that have not implemented were escalated to Governance State Capacity and Institutional Development (GSCID) cluster.
- PT continues to support municipalities with unfunded budgets and provide assessment reports with remedial action to these municipalities. Monthly sessions are held with these municipalities to monitor implementation of these recommendations.
- PT assessed s71 and s72 reports for all municipalities and provided recommendations (remedial actions) to assist the municipalities.
- PT supported municipalities through monitoring of compliance with the Eskom relief program, and reports to NT on a monthly basis.
- PT has placed technical advisers at identified municipalities to support financial management and budgeting processes throughout the province.
- PT supported the implementation of the CMA framework through capacitating the disciplinary boards and also capacitates MPACs as per request.

## COGTA

- The number of dysfunctional municipalities did not decrease. This indicates that the interventions have not been effective.
- There is no structured process to monitor MSIPs and their impact.
- Funding and capacity remain the main factors that still lead to lack of preparedness and readiness of disaster management.
- The department does not monitor the implementation of remedial actions based on the challenges reported on in the section 47 report.
- The department has not yet adopted the national framework on professionalisation of public sector. The department is of the view that the framework is not a legal document therefore not enforceable to be implemented. In addition, the national department of CoGTA has not yet issued any regulation, circular or guidelines on how the new framework should be implemented by the local government sector.
- Limited progress has been made on the implementation of the district development plans.

## Legislature

- The Legislature regressed from a clean opinion to unqualified with findings due to non-compliance that had to be reported.
- The portfolio committees did not implement consequence management on departments that did not respond to resolutions communicated even after follow-ups were done.
- The committees did not always track and monitor key infrastructure projects for most of the departments that had key infrastructure projects set out in their APPs.

## Influence tactics

- Present clear findings and messages that **align with the goals** of the province and mandate of the coordinating departments.
- Demonstrate a **deep understanding** of root causes and the environment.
- Highlight **impact of inaction** on lived realities of the people.
- **Solicit commitments** that are aligned to CultureShift in order to see movement along the continuum.
- Regular **follow up** on progress with implementation of recommendations and commitments.





## Office of the Premier

- The Office of the Premier should ensure that it provides adequate oversight and co-ordination in its management of key ICT projects that could positively impact Eastern Cape service delivery.
- Output-based performance reporting is encouraged to continue as a best practice within the province.
- To further enhance usefulness and transparency, the Office of the Premier should implement proper checks and balances on the information that is received from the twelve provincial departments with respect to the provincial youth indicators supported and reported on.



## Provincial Treasury

- Develop an integrated plan that includes the 3 spheres of government, timelines, and responsibilities to address disclaimer, dysfunctional, and financially distressed municipalities to see improvements.
- The existing Political Intervention Steering Committee should focus on consequence management including timelines and responsibilities for municipalities regarding the following:
  - Non-implementation/delays in FRP's.
  - No improvement in tabling of unfunded budgets.
  - Disclaimer audits not improving despite interventions.



## COGTA

- The dept should define its approach for professionalisation, assess the alignment of its existing initiatives with the Professionalisation Framework to identify gaps, and have a project management plan where responsibilities are assigned
- Coordinating ministries to ensure that the indicators of the department are impactful and will result in a positive outcome in the performance of municipalities.
- The accounting officer should ensure that MSIP implementation reports describe challenges experienced in responding to problems raised on the MSIP.
- The accounting officer should ensure that challenges and proposed support interventions determined to improve municipal performance are communicated to municipalities. In addition, the support provided to address these challenges should be intensified and directed to the issues identified.



## Legislature

- Management should develop a system that ensures that the validation and payment of invoices is done within the prescribed 30 days from receipt of relevant invoice from the service provider as required by the Act, to address the non-compliance matter.
- Portfolio committees should follow up on the non-responsive departments in line with the requirements of the Rules of the House.
- Portfolio committees are advised to improve their oversight processes in holding the departments and entities accountable for key infrastructure projects as well as ensuring that the lived realities of all citizens are positively impacted.



## Premier

- Strengthening and monitoring of audit outcomes through the government cluster system and outreach programmes.
- Institutionalizing reporting on audit improvement plans through the Executive Council, Premier's Inter-Governmental Forum and Outreach Programmes.
- Accountability – through various government fora and other engagements with all spheres of government, institutions will be held accountable for the failure to improve audit outcomes.



## MEC Finance

- Strengthen support for improvement in the audit outcomes for the two (2) qualified departments (Education and Health).
- Ensure accountability at administrative and political level for financial management breaches.

**Enforce accountability and performance excellence with strong oversight to ensure efficient use of state funds to deliver better outcomes."**

Activate the accountability ecosystem to address the current realities

**1** Continued transgressions  
due to a lack accountability  
and consequences

Officials should be clear on their responsibilities and the performance expected from them as well the consequences for transgressions and poor performance. Leadership should consistently but fairly implement the policies and procedures of the institution relating to consequence management.

**2** Inadequate  
performance reporting  
and poor service  
delivery outcomes

### Our recommendations

Enhance transparency and accountability through clear reporting systems and oversight, while strengthening data management with improved technology, staff training, and using citizen feedback to improve service delivery.

**3** Poor expenditure management  
practices leading to irregular and  
wasteful expenditure

Political and administrative leadership should enforce strict oversight and accountability measures over financial management disciplines while streamlining and standardising procurement processes to eliminate inefficiencies and prevent potential inflated costs.

# THANK YOU

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