



Strengthening Governance and Accountability to Drive Service Delivery and Economic Growth

18 March 2026- CESA Infrastructure Indaba 2026



AUDITOR-GENERAL
SOUTH AFRICA

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

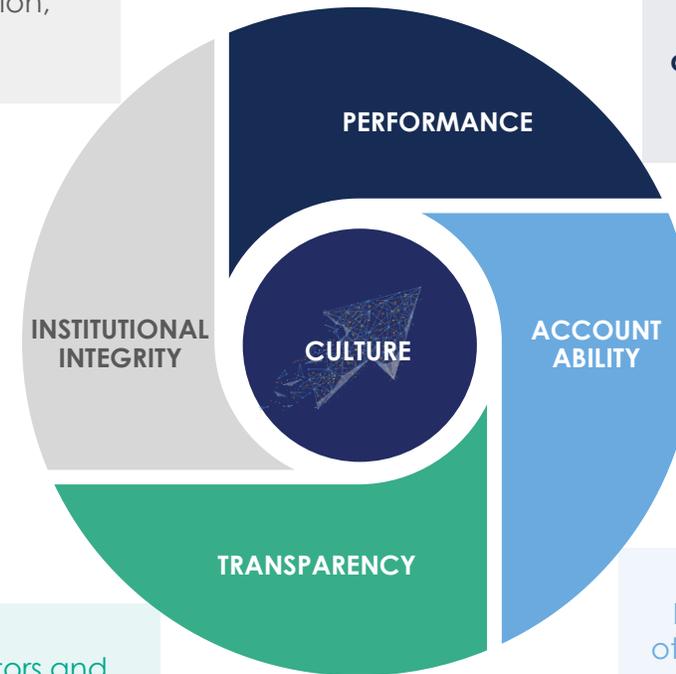


AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Implement and maintain **institutionalised controls** to ensure leadership and officials **behave ethically, comply with legislation and act in best interest** of institution, **avoiding conflicts of interest**

Demonstrate commitment to improving lived realities of South Africans by **delivering on legislated mandate and strategic objectives aligned to people's needs**, being **financially sustainable**, and **avoiding harm to public and public sector institutions**

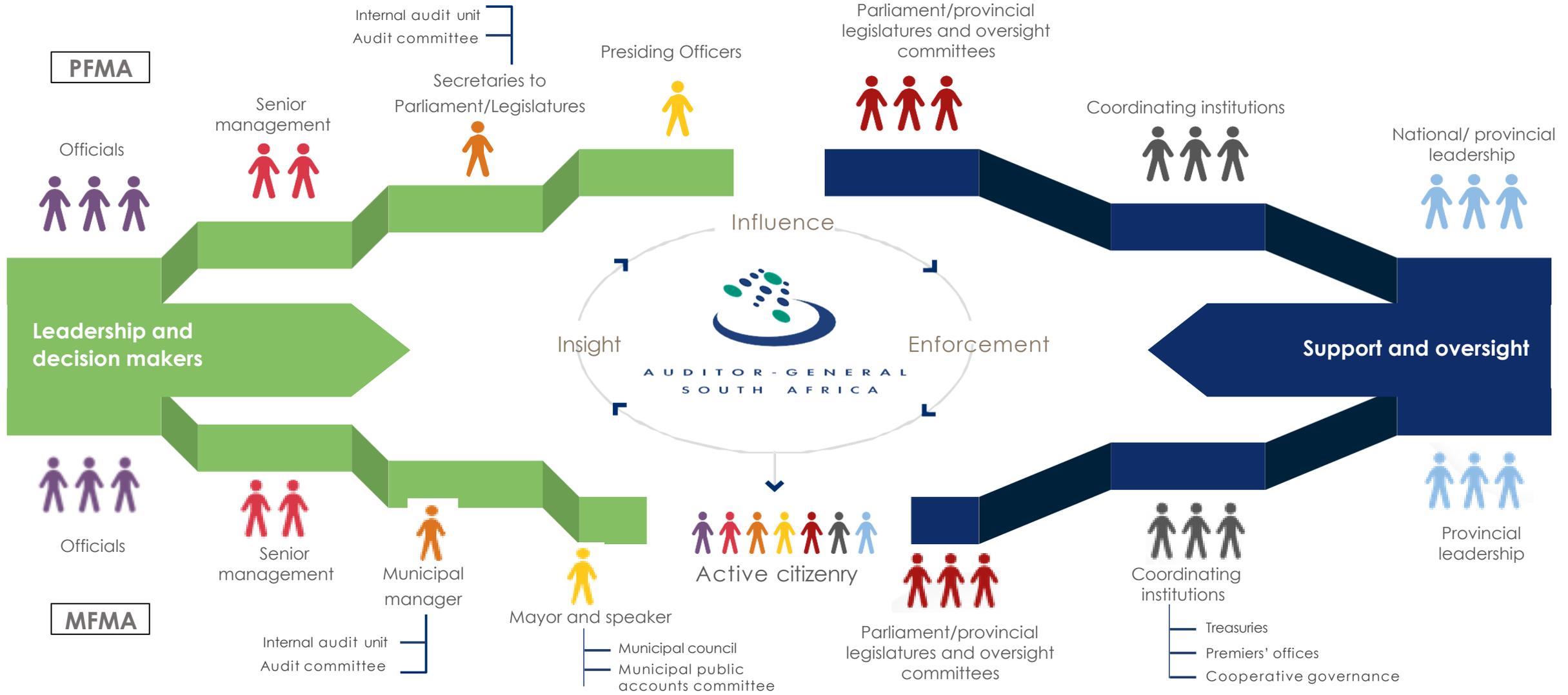


Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

Be responsive to public, oversight and other stakeholders through **reporting and providing answers on mandated responsibilities fulfilled, actions taken and decisions made**; ensure **swift consequences** for transgressions and poor performance



All have a role to play in accountability ecosystem





The aim of the material irregularity process is to strengthen accountability mechanisms in public sector

Accounting officers/authorities

Have a legal obligation to **prevent all irregularities and take action when they occur**

AGSA

- **Identify irregularities that could have a significant impact** on auditee's finances, resources and delivery, or that could cause harm to the public/auditee
- **Notify accounting officer/authority** so they can timeously take appropriate steps in accordance with legislation to correct deficiencies. If auditees protect and recover resources, they can redirect the money saved or recovered to deliver much needed services to communities
- **Provide opportunity to accounting officer/authority** to take required actions to deal with MIs before invoking powers

Oversight and executive authorities

Should exercise **oversight** and play an **active monitoring role in preventing irregularities and addressing irregularities** when they occur

AGSA

- By reporting material irregularities, the AGSA **highlight most material matters** and **provide information** that oversight structures, and executive authorities must consider in fulfilling their role in the accountability ecosystem
- **By notifying the oversight structures and executive authorities of material irregularities** identified, the AGSA strengthen the monitoring role of roleplayers in ensuring that material findings are resolved swiftly



Success is: swift action by accounting officers/authorities to resolve MIs and prevent re-occurrence



Material irregularities definition and purpose



MI definition

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**



Objective

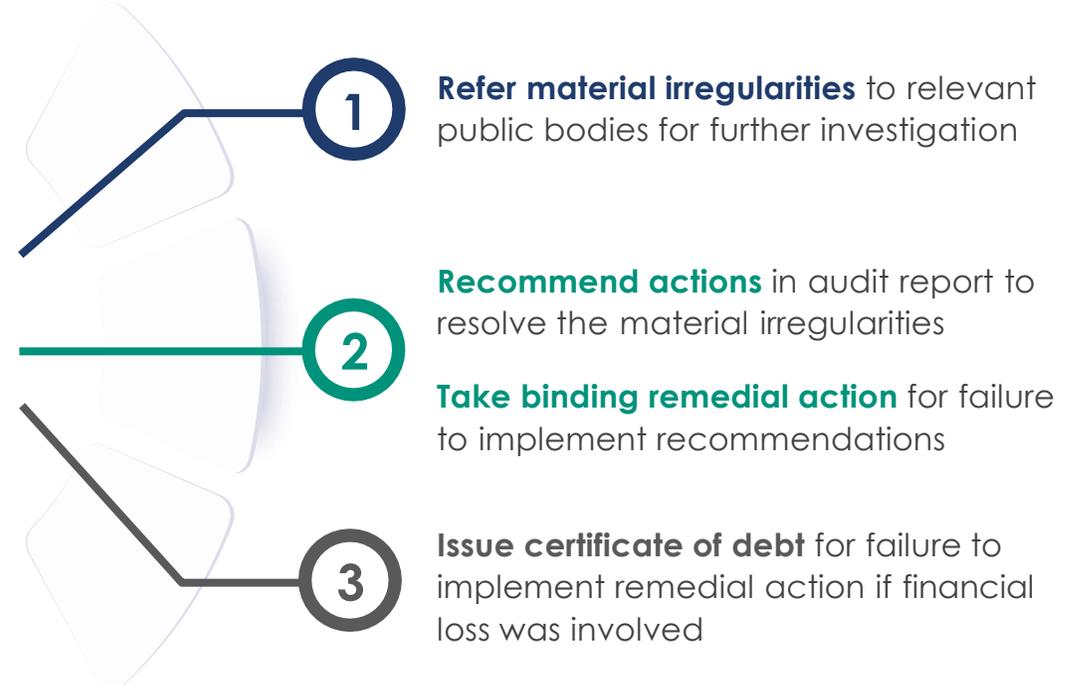
- Instil a culture of **accountability**
- Improve the **protection of resources**
- Enhance public **sector performance** and encourage an **ethical culture**
- Strengthen public sector institutions to **better serve the people of South Africa**

Material irregularity



means 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.**

If AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:



Overall aim of our expanded mandate:



292 MIs identified on **non-compliance and suspected fraud**, resulting in:

256 Material **financial loss** (estimated R14,3bn)

- **Payments** for goods and services not received
- Unfair, uncompetitive or uneconomical **procurement**
- **Value for money** not received
- **Revenue** not billed or not recovered
- Interest and penalties **on late or non-payments**
- **Asset** not safeguarded
- **Ineffective** use of resources

10 **Misuse** of material public resource

Underutilisation of medical facilities and equipment, office accommodation and other resources

19

Substantial **harm to public sector institutions**

- Lack of proper **performance information records**
- **Non-submission** of financial statements
- Poor **financial and performance management**
- Insufficient **health care professional** capacity
- **Information Communication Technology risks** not managed

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Substantial **harm to general public**

- **Schools** – weaknesses in school nutrition program
- **Safety and security** – ineffective management
- **Water infrastructure** – project delays and lack of maintenance
- **Road infrastructure** – lack of maintenance



446 MIs identified on **non-compliance and suspected fraud**, resulting in:

- 285** Material **financial loss** (estimated R8,74bn)
- 72 Payments** for goods and services not received / of poor quality / not in line with contract / to ineligible beneficiaries
- 20** Unfair, uncompetitive or uneconomical **procurement**
- 75 Interest and penalties**
- 40 Inefficient use of resources** resulting in no/limited benefit derived for money spent
- 39 Revenue** not billed/recovered
- 20 Asset not safeguarded/maintained** resulting in financial loss
- 15 Loss of investment**
- 4 Suspected fraud and non-compliance**

79 Substantial harm to public sector institutions

- 35 Non-submission** of financial statements
- 28 Repeat disclaimed audit opinion**
- 8** Lack of proper **performance information records**
- 5 Non-submission** of performance report
- 3** Poor **financial and performance management**

80 Substantial harm to general public

- 56** Non-compliance with environmental legislation resulting in **pollution of water resources**
- 20 Landfill site mismanagement** resulting in harm to public
- 3 Pension fund contributions** deducted and not paid over
- 1 Assets not safeguarded/maintained** resulting in harm to public

2 Misuse of material public resource

- 2** Under-utilisation of **municipal infrastructure**



National and provincial -PFMA (2023-2024)

Impact made

Financial loss **recovered**

Financial loss prevented

Financial loss **in process of being recovered**

133

Internal controls improvements to prevent recurrence

103

Responsible officials identified and disciplinary process completed/in process

55

Fraud/criminal investigations instituted

17

Supplier contracts stopped where money was being lost

Local government -MFMA (2023-2024)

Impact made

R1,32bn – Financial loss recovered, prevented or being recovered

R709,26m

Financial loss recovered

R244,12m

Financial loss prevented

R370,24m

Financial loss in process of being recovered

187

Internal controls improved to prevent recurrence

95

Responsible officials identified and disciplinary process completed/in process

32

Submitted overdue financial statements

29

Fraud/criminal investigations instituted

13

Repeat disclaimed opinions prevented

12

Supplier contracts stopped where money was being lost

4

Submitted overdue performance reports

Referral of the MIs

Refer material irregularities to relevant public bodies for further investigation

PFMA



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MFMA



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TRANSPORT



Road upgrade to Mlamli Hospital

In December 2020, the **Eastern Cape Department of Transport** began upgrading a 12-kilometre stretch of road that was in poor condition from Sterkspruit to the hospital. The project had a planned completion date of June 2023, but was delayed due to slow progress by the contractor, whose contract was terminated in February 2024. As a result of poor project management controls, the department overpaid the contractor by R8,43 million and consultants by R21,92 million, for which it received no value. We notified the accounting officer of two material irregularities relating to the overpayments to the contractor and to the consultants in August 2023. By June 2024, the project was still incomplete and construction had been halted because the department had not yet appointed a replacement contractor. The project delays mean that the community continues to use unsafe roads to access the hospital. We are busy deciding on further action to be taken.





Construction of sewer pipelines

In January 2018, **Polokwane Local Municipality** (Limpopo) appointed a contractor to lay sewer pipelines in Seshego as part of the regional wastewater treatment works. The project had a budget of R152,18 million and a planned completion date of February 2020. Due to poor performance by the contractor, to which the municipality had already paid R114,92 million, the municipality appointed a replacement contractor in February 2023 at a cost of R112,84 million and revised the completion date to February 2025. However, the municipality did not pay this new contractor on time, resulting in the disruption of work and standing-time claims of R2,20 million. We notified the accounting officer of the material irregularity (MI) in November 2024. We have received a response to our notification and are awaiting more information from the accounting officer on the actions already taken and still to be taken.

The almost five-year delay in completion was due to municipal project managers not properly overseeing and monitoring the project, which had a negative impact on the water and sanitation needs of the growing community in the surrounding areas.



Activate accountability ecosystem to address root causes

Poor institutional integrity

Culture of no accountability and consequences

Ineffective resource management

We recommend prioritisation and focus by all relevant infrastructure ecosystem role players

1

Design and deliver with accountability – embed ethical leadership, compliance and audit-ready controls at every stage of project delivery.

2

Protect value for money – enforce fair procurement, disciplined cost control and contract performance to prevent losses and rework.

3

Act early on risks and irregularities – identify, escalate and resolve control weaknesses before they become material irregularities.

4

Partner with the state for impact – collaborate proactively with accounting officers, oversight bodies and auditors to safeguard public resources and service delivery.

5

Embed controls and ethical compliance into every stage of project delivery to prevent irregularities, protect public resources, and avoid rework and financial losses.



Stay in touch with the AGSA



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THANK YOU



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