

MATERIAL IRREGULARITIES IN NATIONAL AND PROVINCIAL GOVERNMENT

Status at 30 September 2022



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



Table of contents

| | |
|---|-----------|
| FOREWORD FROM THE AUDITOR-GENERAL | 5 |
| EXECUTIVE SUMMARY | 6 |
| SECTION 1: MI OVERVIEW | 8 |
| SECTION 2: PROVINCIAL GOVERNMENT MATERIAL IRREGULARITIES | 28 |
| SECTION 3: NATIONAL GOVERNMENT MATERIAL IRREGULARITIES | 72 |



Abbreviations and acronyms used in this report

| | |
|---------------|---|
| AA | accounting authority |
| AG | auditor-general |
| AO | accounting officer |
| BOI | board of inquiry |
| CFO | chief financial officer |
| CIDB | Construction Industry Development Board |
| CWP | Community Work Programme |
| DoD | Department of Defence |
| GRC | governance, risk and control |
| Hawks | Directorate of Priority Crime Investigation |
| HSRC | Human Sciences Research Council |
| MI | material irregularity |
| NPA | National Prosecuting Authority |
| NSFAS | National Student Financial Aid Scheme |
| PAA | Public Audit Act |
| Persal | Personnel and Salary System |
| PFMA | Public Finance Management Act |
| PPPFA | Preferential Procurement Policy Framework Act |
| PPR | Preferential Procurement Regulations |
| Prasa | Passenger Rail Agency of South Africa |
| SANDF | South African National Defence Force |
| Sapo | South African Post Office |
| SAPS | South African Police Service |

Abbreviations and acronyms used in this report

| | |
|-------------|-------------------------------------|
| Sars | South African Revenue Service |
| Sita | State information Technology Agency |
| SIU | Special Investigating Unit |
| SLA | service-level agreement |
| SRD | Social Relief for Distress |
| TR | Treasury Regulations |
| VAT | value-added tax |

FOREWORD FROM THE AUDITOR-GENERAL

The amendments to the Public Audit Act that became effective on 1 April 2019 gave my office and me a mandate that goes beyond auditing and reporting. Our new enforcement mandate allowed us to expand our participation in the accountability processes of government – not to take over the legislated responsibilities of accounting officers and authorities, executive authorities and public bodies with investigative and enforcement mandates, but rather to be a complementary mechanism in this process.

One of the amendments to the Public Audit Act requires me to account at least annually for all remedial actions and certificates of debt that I issued and for the referrals that I made of material irregularities (MIs) to public bodies for investigation. I decided to not only account for the use of these powers but also report transparently on how the MI process was implemented, the MIs identified and their status as well as the successes we had and challenges we experienced.

In this third detailed report on MIs, we focus on MIs in national and provincial government and their status by 30 September 2022.

The report includes a wealth of information on the irregularities that we identified through our audits and their impact on auditees. It also transparently reports on what accounting officers and authorities have done or are doing to recover financial losses, prevent further losses and ensure there are consequences for the officials involved. Some have been successful in this regard while others have not taken appropriate action and are exposing their department or public entity to continued loss, misuse and harm.

We are fully committed to implement the enhanced powers given to our office – without fear, favour or prejudice. If accounting officers and authorities, supported by their political leadership, fulfil their legislated responsibilities and commit to taking swift action when we notify them of an MI, there is no need for us to use our remedial and referral powers or to issue a certificate of debt. Yet we do not hesitate to use these powers when accounting officers or authorities do not deal with MIs with the required seriousness. In this report, I account for the instances where I took remedial action and made referrals as well as where I included recommendations in the audit reports of these auditees.

I am pleased with the impact we are making through the implementation of this expanded mandate. This was demonstrated through the increased attention given to our audit process and outcomes, action being taken to address our findings and, in some cases, prevention and recovery of financial loss.

As an office, we are committed to play our part through our enforcement mandate to instil a culture of performance, accountability, transparency and integrity in national and provincial government, which will result in a better life for the people of South Africa.



Tsakani Maluleke 23/11/2022

Tsakani Maluleke
Auditor-General

EXECUTIVE SUMMARY

We commenced in April 2019 with a phased implementation of the MI process and the expanded powers provided through the amendment to the PAA. This implementation approach provided us with the opportunity to build our capacity, develop and institutionalise appropriate processes and create awareness and understanding of this new accountability tool in the public sector.

In 2019, we implemented at 16 department and public entities and only partly implemented the MI definition. In the recent 2021-22 PFMA audit cycle, we implemented the full MI definition and process at 202 auditees, thereby further increasing the reach of our expanded mandate in national and provincial government.

In this third report on the status of MIs, our focus is on national and provincial government – a report on local government MIs is planned for 2023 to coincide with the tabling of the local government general report.

By 31 August 2022, we had notified accounting officers and authorities of 179 MIs. Most of the MIs identified were caused by non-compliance and suspected fraud which resulted in, or are likely to result in, material financial loss. We estimate the total financial loss of these MIs to be R12 billion. Unfair, uncompetitive and uneconomical procurement processes as well as payments made for goods and services not received are the areas where the most money is being lost. The lack of prudence in spending is also evident in money being spent with little/no value received and the interest and penalties being paid as result of late payments – including to Sars.

These are matters that we have been reporting on for many years, but through the MI process, we are now seeing a change in how accounting officers and authorities respond to what we elevate to them as MIs. The culture of inaction is starting to shift towards improved responsiveness.

A change in behaviour and culture at all our auditees is a great ambition and we embarked on this MI journey knowing that it would take time to achieve this outcome. In this report, we celebrate the successes achieved but also acknowledge the stumbling blocks causing delays and frustrations.

The successes achieved through accounting officers and authorities taking action when we notified them of the MIs or in response to us using our new powers of recommendation and remedial actions are:

- Financial losses being prevented from taking place and losses already recovered or in the process of recovery
- Consequences for the officials responsible (through disciplinary processes) and where applicable for the suppliers involved
- Fraud and criminal investigations undertaken
- Internal controls being improved to prevent recurrence

We want to see swift actions to resolve MIs by the accounting officers and authorities and the public bodies responsible for investigations and recovery of financial losses. The longer it takes to act, the higher the risk that money lost will not be recovered and that responsible officials and implicated suppliers will not be subjected to any consequences for their transgressions. The likelihood of continued financial loss or a repeat of the irregularities that caused the losses also increases.

The most common reasons for delays in fully resolving the MIs and inadequate financial recoveries and consequences are:

- Investigations by public bodies (e.g. the SIU and Hawks) take long to conclude.
- Suppliers are often liquidated before any recoveries can commence
- There are delays in the financial recovery processes by the State Attorney
- Instability continues to have an impact on resolving MIs. After we issued an MI notification, we often have to re-issue the notification or the progress of resolving the MI comes to a halt if the original accounting officer or authority changes
- Delays in disciplining officials responsible for MIs - either the investigation to identify the responsible officials takes too long or the disciplinary processes against implicated officials are delayed.

Complexities in legislated accountability arrangements are emerging as another reason for delays. It is one of the main reasons for the MIs of the Department of Defence (DoD) not being resolved timeously. The Defence Act does not provide for the defence secretary (who is the accounting officer of the department) to take disciplinary steps against military officials, as they fall under the command of the chief of the defence force.

We have not hesitated to use our enhanced powers where accounting officers and authorities did not deal with MIs in an appropriate and timely manner. We included recommendations in the audit reports of six auditees for MIs that were not dealt with appropriately. In addition, we issued remedial action at three auditees that did not implement the recommendations we included in their audit reports in the previous year. For most of the auditees where we had to take these steps, we witnessed renewed commitment to address the MIs. Eight MIs were referred to public bodies for further investigation.

In this journey of implementing the MI process, we will continue to sharpen and improve our processes and learn from our successes and challenges. We are heartened by the support and heightened levels of awareness and engagement that we experienced in Parliament during our briefings for the budgetary review and recommendations report process. We call on committees in Parliament and the provincial legislatures to continue to advocate for action by accounting officers and authorities and their executive authorities, while also paying attention to the problems experienced by public bodies in playing their role in the accountability ecosystem.

We trust that the insights and the detail on the active MIs in national and provincial government in this report will strengthen oversight in their important role.



SECTION

1

MI overview



Overview

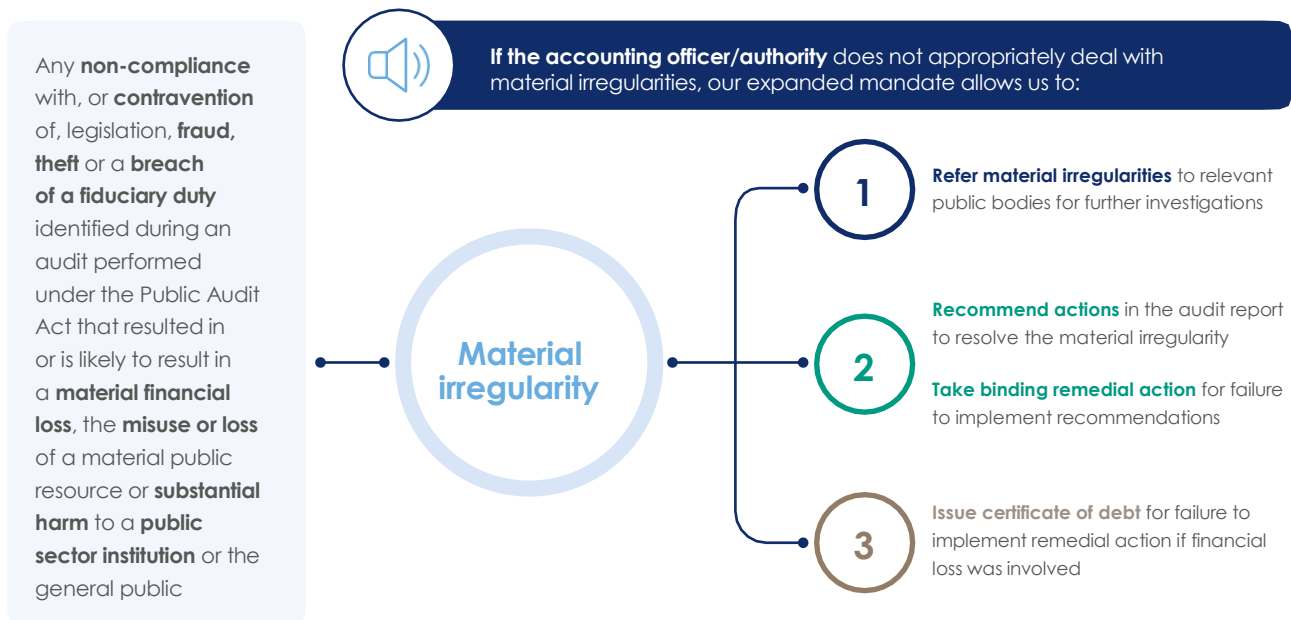
The responsibilities and duties of accounting officers and authorities are well defined in legislation, underpinned by the basic values and principles governing public administration as set out in the Constitution of the country. For many years, our audits have highlighted a systemic failure across government to establish the systems, processes and controls required to make the constitutional and legislative requirements the norm. Not only are irregularities and the resultant losses, misuse and harm not prevented from happening, but such instances are also not appropriately dealt with when they are identified.

Our mandate has always been to audit and report on these matters so that they can be corrected, but a lack of progress with preventing and dealing with the accountability failures we report on prompted the need for an expansion of our mandate.

The amendments to the Public Audit Act became effective on 1 April 2019.

Rather than being a punitive measure, the amendments are intended to act as a complementary mechanism in the broader public sector accountability value chain by strengthening financial and performance management and instilling the right behaviour to prevent MIs and ensure they are appropriately dealt with if they do occur.

Definition of material irregularity and expanded powers



The overall aim of our expanded mandate is to:

- promote better accountability
- improve the protection of resources
- enhance public sector performance and encourage an ethical culture
- ultimately, strengthen public sector institutions to better serve the people of South Africa.

We are in the fourth year of implementing the amendments. In this report, we share the MIs identified in national and provincial government by 31 August 2022 and their status at 30 September 2022.

This is the third report we publish on MI statuses – our previous report was published on 15 June 2022, which reported on the MI statuses at 15 April 2022.

In sections 2 and 3 of this report, we include the detail of MIs identified and the actions taken to resolve them by the accounting officer or authority or by using our expanded powers. The purpose of publishing these reports is to account in a transparent manner for how we have used our expanded mandate. It further provides oversight bodies, civil society organisations and the public with insight into irregularities that occurred at public sector institutions and the progress or lack of progress with addressing the resultant losses or harm caused.

Implementation

In 2021-22, we expanded our work significantly by implementing the process at 202 auditees in national and provincial government – from 95 in 2020-21.

The selected auditees included all state-owned enterprises, departments and public entities that are key contributors to government priorities. They were responsible for 91% of the estimated expenditure budget of R2,58 trillion in 2021-22. We plan a further increase in 2022-23 to 430 auditees.

Impact of the material irregularity process

There has been a shift at departments and public entities: from a slow response to our findings and recommendations over the years to attention now being paid to what we report as MIs and actions being taken to resolve these.

No actions were being taken by accounting officers and authorities to address 82% of the irregularities until we issued the MI notifications. For some of the irregularities, investigations were in process when we raised the MI, but often with little progress being made.

Where accounting officers and authorities respond to our notifications with commitment and workable plans to implement appropriate action to resolve the MI, the intended impact of the Public Audit Act amendments is achieved – the objective was to enable corrective action to resolve the MI and prevent similar ones in future.

An MI is resolved if all steps have been taken to recover financial losses or to recover from substantial harm, when further losses and harm are prevented through strengthening internal controls, when there are consequences for the transgressions (which includes disciplinary processes) and, if applicable, the matter has been handed over to a law-enforcement agency.

The impact achieved by the MI process is evident from the actions taken and changes in behaviour by the accounting officers and authorities to resolve the MIs that resulted in, or is likely to result in, financial loss.

Actions taken to address financial loss

R636 m

Prevented financial loss from taking place

R509 m

Financial loss in process of recovery

R14 m

Financial loss recovered

39

Internal controls improved to prevent recurrence

36

Responsible officials identified and disciplinary process completed or in process

15

Fraud/criminal investigations instituted

5

Stopped supplier contracts where money is being lost

The impact achieved through the MIs that have been fully resolved and those that are in the process of being resolved are evident in the status description of the MIs, as included in sections 2 and 3 of this report. What follows are shortened examples to demonstrate the impact – these actions were taken by the accounting officers and authorities in response to the MI process.

Examples of impact achieved

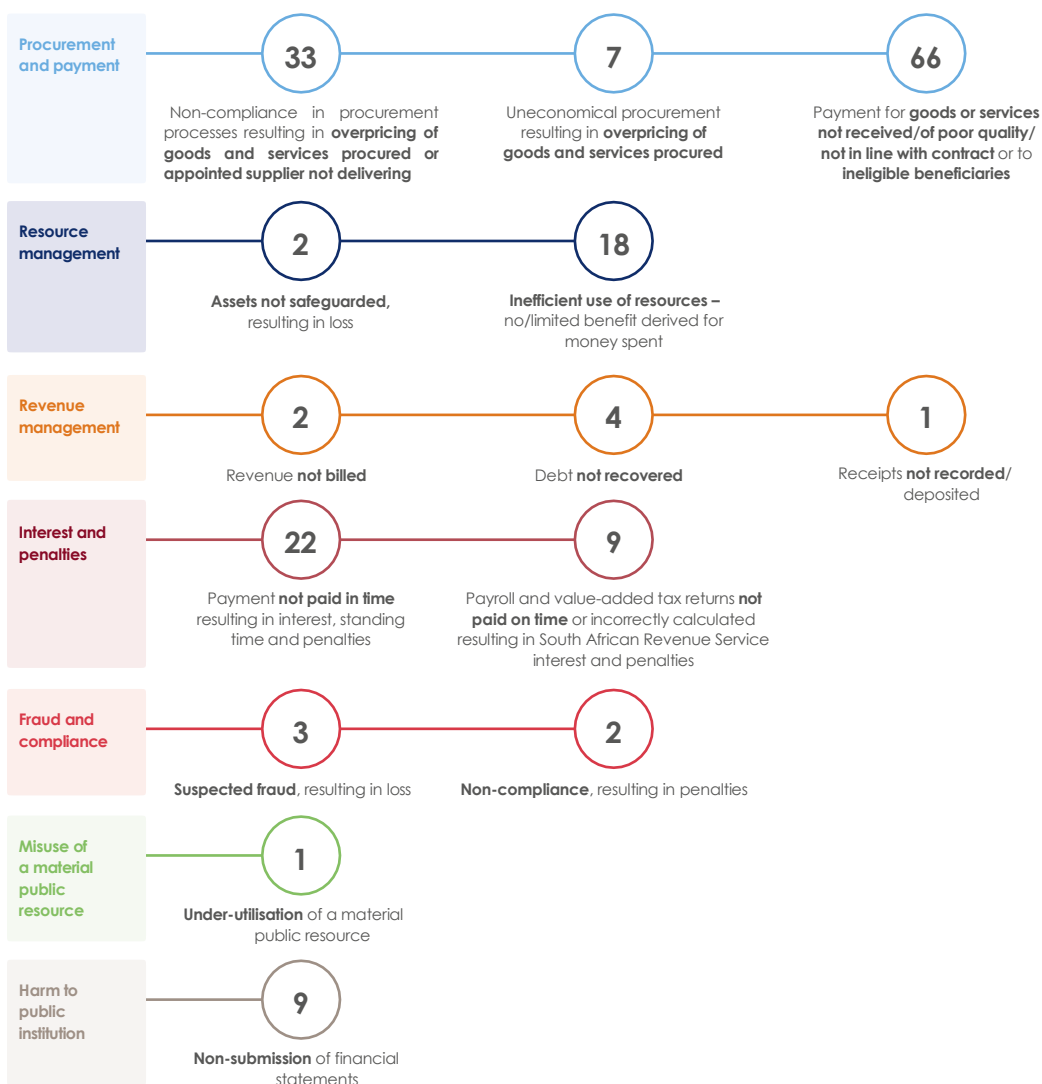
- **Financial loss recovered:** The KwaZulu-Natal Department of Health procured sanitiser detergent during the covid-19 pandemic at prices significantly higher than prescribed by the National Treasury at that time, resulting in a R1,3 million financial loss. The Special Investigating Unit investigated the matter and an acknowledgement of debt was signed with the supplier, resulting in R0,5 million of the loss already having been recovered.
- **Financial loss recovered:** The Pietersburg Hospital leased radiology equipment which was not used, resulting in an estimated loss of R3,7 million. The rooms in which the equipment had been installed were not accessible due to environmental safety concerns. To recover from the financial loss, the accounting officer of the Limpopo Department of Health renegotiated an extension of the contract, which allowed the equipment to be used for a further 12 months at no additional cost.
- **Financial loss recovered:** The Property Management Trading Entity made payments to a landlord for leasing properties in excess of the amount payable per the lease agreement, resulting in an estimated R11 million in overpayments. By 31 March 2022, R9,7 million had been recovered from the landlord and the remaining amount was in the process of being recovered.
- **Financial loss in the process of recovery:** The prices paid by the Department of Public Works and Infrastructure for three state events were higher than what had been approved during the quotation process. In response to the recommendations we made, the matter was handed over to the State Attorney for recovery of the R0,83 million overpayment to the supplier.
- **Prevented financial loss, supplier contracts cancelled and disciplinary steps:** The Eastern Cape Department of Human Settlements awarded three contracts for housing units to bidders that did not score the highest points in the evaluation process, resulting in higher prices being paid, as the cost of units from the appointed bidders was higher than that of the bidders scoring the highest points. On an application by the accounting officer, the High Court set two of the contracts aside, declaring them to be invalid, which prevented an estimated financial loss of R6,45 million. The accounting officer also took disciplinary steps against the officials found responsible for the non-compliance – the members of the bid adjudication committee were given a written warning for their part and the chief financial officer was dismissed (other charges were also taken into account for the dismissal).
- **Prevented financial loss:** The Gauteng Department of Human Settlements entered into a month-to-month contract amounting to R1,46 million per month from April 2016 for the leasing of temporary residential units instead of going with the cheaper option of purchasing them. The accounting officer cancelled the lease agreement in January 2022 and purchased the temporary residential units in June 2022.
- **Prevented financial loss:** The DoD imported an unregistered drug (Heberon) at a cost of approximately R260 million without approval from the South African Health Products Regulatory Authority (Sahpra). The unused vials were repatriated to Cuba, preventing an estimated financial loss of R227 million.
- **Prevented financial loss:** The North West Department of Health wrote off R65,64 million in patient debt without taking reasonable steps to recover the debt and first applying the requirements of its revenue and debt management policy. The accounting officer reversed the write-off, allowing for a proper process to be followed to collect the debt.
- **Disciplinary processes underway:** Multiple instances of non-compliance in the procurement process for locomotives in July 2012 by the Passenger Rail Agency of South Africa resulted in the contract being unfairly awarded. In response to the remedial action we instituted against the agency to implement consequence management, investigations were completed. Seven officials were charged with procurement irregularities and they are being subjected to disciplinary processes; so far, one official has been dismissed and another has resigned.
- **Fraud/criminal investigations instituted:** The national Department of Cooperative Governance made payments to non-qualifying government employees as part of the Community Work Programme due to ineffective internal controls for approving and processing payments. In response to the recommendations we made and an internal investigation into the matter, the accounting officer referred the matter to the Directorate for Priority Crime Investigation, also known as the Hawks, for investigation.

- **Internal controls improved:** The KwaZulu-Natal Department of Health awarded contracts for radiology equipment to suppliers who did not score the highest points in the evaluation process without predefined, objective criteria for such deviation. To prevent a recurrence, the department updated its standard operating procedures and bid documents for supply chain management to address the application of objective criteria; and officials attended refresher training in supply chain management prescripts.
- **Internal controls improved:** The Mpumalanga Economic Growth Agency impaired debts of R292,21 million without following all the required actions provided for in its debt management policy. The accounting authority capacitated the credit control unit to enable improved debt collection by appointing legal interns, a panel of legal practitioners and an external debt collector.
- **Internal controls improved:** The Western Cape Department of Human Settlements did not correctly apply the evaluation criteria in the National Housing Code, resulting in beneficiaries receiving housing subsidies they are not entitled to and valid beneficiaries being overpaid. The accounting officer implemented an additional review by the department's internal control function.

Nature and extent of material irregularities identified

By 31 August 2022, we had identified 179 MIs. The nature of these MIs reflects the areas in which departments and public entities are most vulnerable for loss, misuse and harm – we have highlighted the weaknesses in these areas for a number of years, including in our general and special reports.

Nature of material irregularities

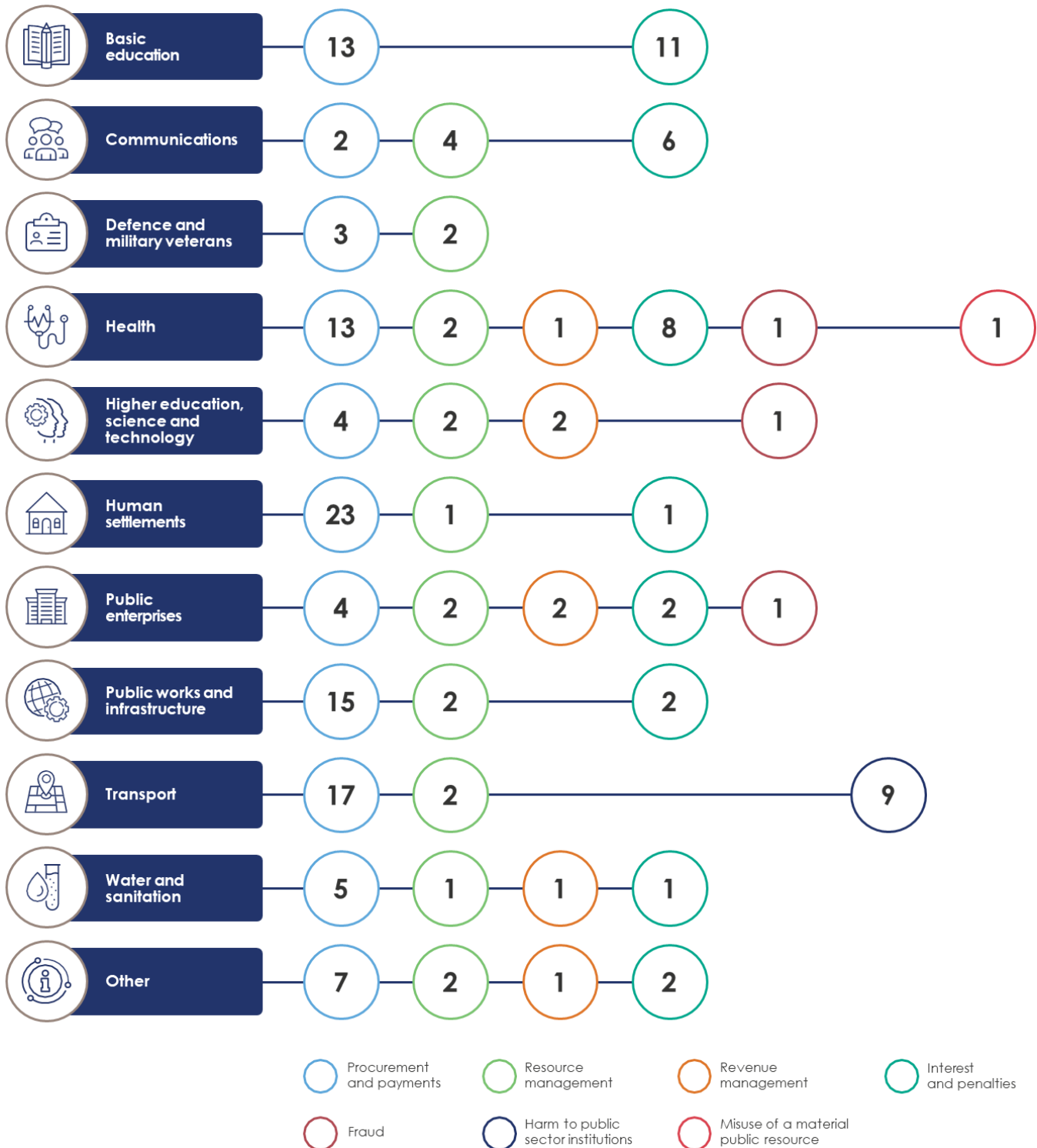


Most of the MIs identified were caused by non-compliance and suspected fraud which resulted in, or are likely to result in, a material financial loss. We estimate the total financial loss of these MIs to be R12 billion. Financial losses mean that there is less money available to deliver much-needed services to South Africans and for government to achieve its strategic priorities. Some of the MIs had a direct impact on the ability of auditees to deliver on projects and services in addition to reducing the funds available for such delivery.

We also used our expanded mandate to address the non-submission of financial statements by three public entities in the North West for the past three years, as the lack of accountability is causing significant harm to these public sector institutions. Also in North West, we issued our first MI on a material public resource (a clinic) not being utilised.

MIs are prevalent across the portfolios responsible for service delivery and key government programmes.

Nature of material irregularities in the different portfolios



A few examples of the types of MIs identified are included next. The detail on all the MIs is included in sections 2 and 3.

- The National Skills Fund entered into a project-funding agreement with an academy for a learnership programme. The fund approved and paid R3,19 million for three credits of 'additional modules' that had already been included in the original modules.
- The State Information Technology Agency entered into a contract with a service provider for assistance with a stakeholder engagement event. In April 2019, the agency made an advance payment of R1,5 million to the supplier. No services were received for the money spent.
- At the KwaZulu-Natal Department of Education, ex-employees were not promptly removed from the human resources and payroll systems. As a result, the department approved and processed salary payments of R142,49 million to people it no longer employed.
- The Department of Basic Education did not pay a contractor within the required 30 days for a construction project in the Eastern Cape, resulting in interest charges of R7 million.
- The North West Department of Human Settlements overpaid the supplier appointed to provide project management services by R2,98 million because it did not have appropriate internal controls.
- Between May 2018 and December 2018, the Department of Public Works spent more than the contract amount on state funerals, and the services paid for differed from those provided for in the contracts. We estimate the likely financial loss to be R9,1 million.
- In July 2019, Transnet advertised a tender for the leasing of equipment. The contract was not awarded to bidders who scored the highest points, resulting in a likely loss of R29,4 million.
- The Property Management Trading Entity did not follow competitive bidding processes to appoint contractors and consultants for the Beitbridge Border Infrastructure Project in March 2020. This is likely to result in material financial losses, as the entity did not secure market-related prices.
- In July 2019, the DoD awarded a contract for the supply and delivery of fuel to a supplier using different evaluation criteria from those stipulated in the original request for quotations, which specified that the contract would be awarded to the bidder with the lowest price. The mode of transport was also changed after the award, causing a further price increase. The non-compliance caused a material financial loss of R2,6 million due to the higher price being paid for fuel.
- The Free State Department of Human Settlements paid a supplier for standing time during the covid-19 lockdown period, even though it had no contractual obligation to do so.
- Construction of a magistrate's court project with an initial budget of R94,74 million was delayed by more than six years due to late site handover to contractors, delays in issuing working drawings and extension of time due to civil unrest. This resulted in overspending of R23,72 million. To date, 12 extension-of-time claims amounting to R15,88 million (654 days) have been submitted to the Property Management Trading Entity.
- According to the policy of the National Student Financial Aid Scheme, interest on student loans is supposed to be charged one year after students graduate or leave the tertiary institution. The scheme did not have up-to-date information on students' status, resulting in loan recipients being recognised as students for many years after they stopped studying without interest being charged on their loans. This non-compliance is likely to result in a material financial loss of just over R1 billion if the interest is not recovered.

Overall status of the material irregularities

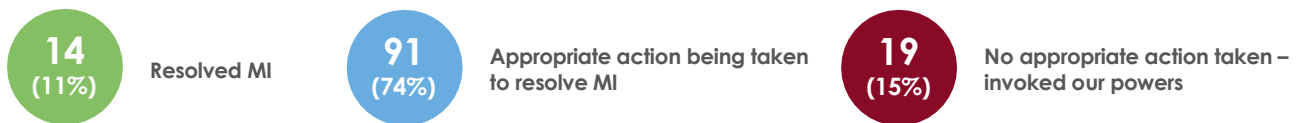
Thirteen of the 179 MIs identified were resolved in previous years, which leaves us with 166 active MIs.

We only recently notified accounting officers and authorities of eight of these MIs, and by 30 September 2022, their responses were not yet due. In sections 2 and 3, we only include the detail and status of the 158 MIs regarding which we have received responses.

By 30 September 2022, we were still evaluating the responses to 34 of the newly identified MIs, hence we have not yet decided whether the accounting officer or authority is taking appropriate action to resolve the MI. In sections 2 and 3, the status of these MIs is shown as 'Follow-up or assessment in process'.

This means we have evaluated and can report on the status of 124 material irregularities and we included the detail in sections 2 and 3.

Status of remaining 124 material irregularities



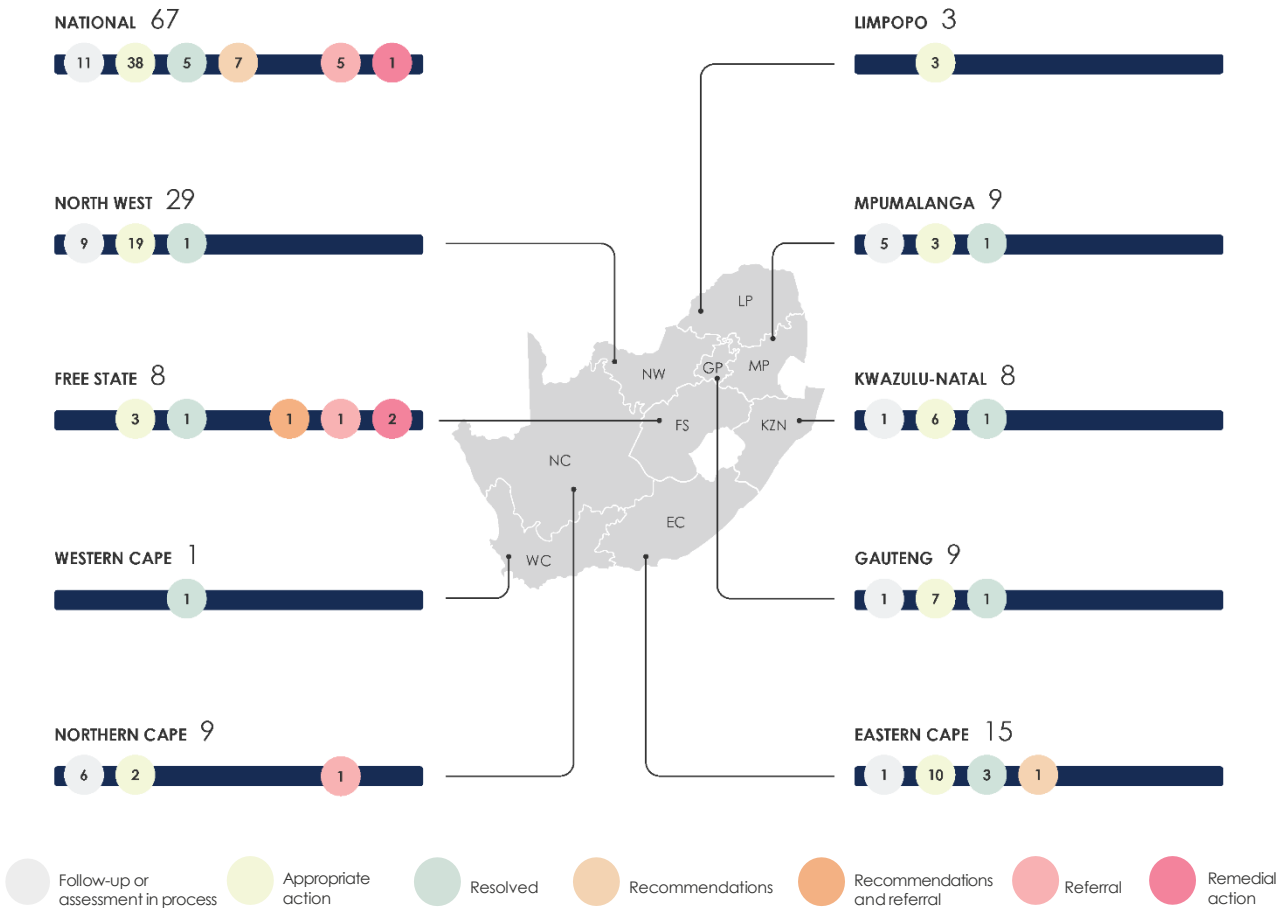
In 19 cases where accounting officers and authorities did not appropriately address the MIs we reported to them, we used our expanded mandate by including recommendations in the audit reports or the auditor-general invoked her additional powers of referral and remedial action. The departments and public entities where we took further action (as detailed in the following graphic) are also those where we typically experience a slow response to our findings and to improving the control environment.

Further action taken

| | | |
|---|--|--|
| <p>Recommendations in audit report as accounting officer or authority took little or no action to address MI</p> <hr/> <ul style="list-style-type: none"> • Health (EC) • National Student Financial Aid Scheme – 3 • Property Management Trading Entity • Department of Defence • South African Social Security Agency • National Skills Fund | <p>Remedial action issued as our recommendations were not implemented</p> <hr/> <ul style="list-style-type: none"> • Human Settlements (FS) – 2 • Department of Defence | <p>Referred matter to public bodies for further investigation</p> <hr/> <ul style="list-style-type: none"> • Human Settlements (FS) • Health (NC) • National Treasury • Department of Defence • South African Post Office • Umgeni Water Board – 2 |
| | <p>Remedial action issued and referred to public bodies</p> <hr/> <ul style="list-style-type: none"> • Free State Development Corporation | |

The status of the MIs across national and provincial government follows.

Status of remaining MIs – national and provincial



More detail on the different statuses follows.

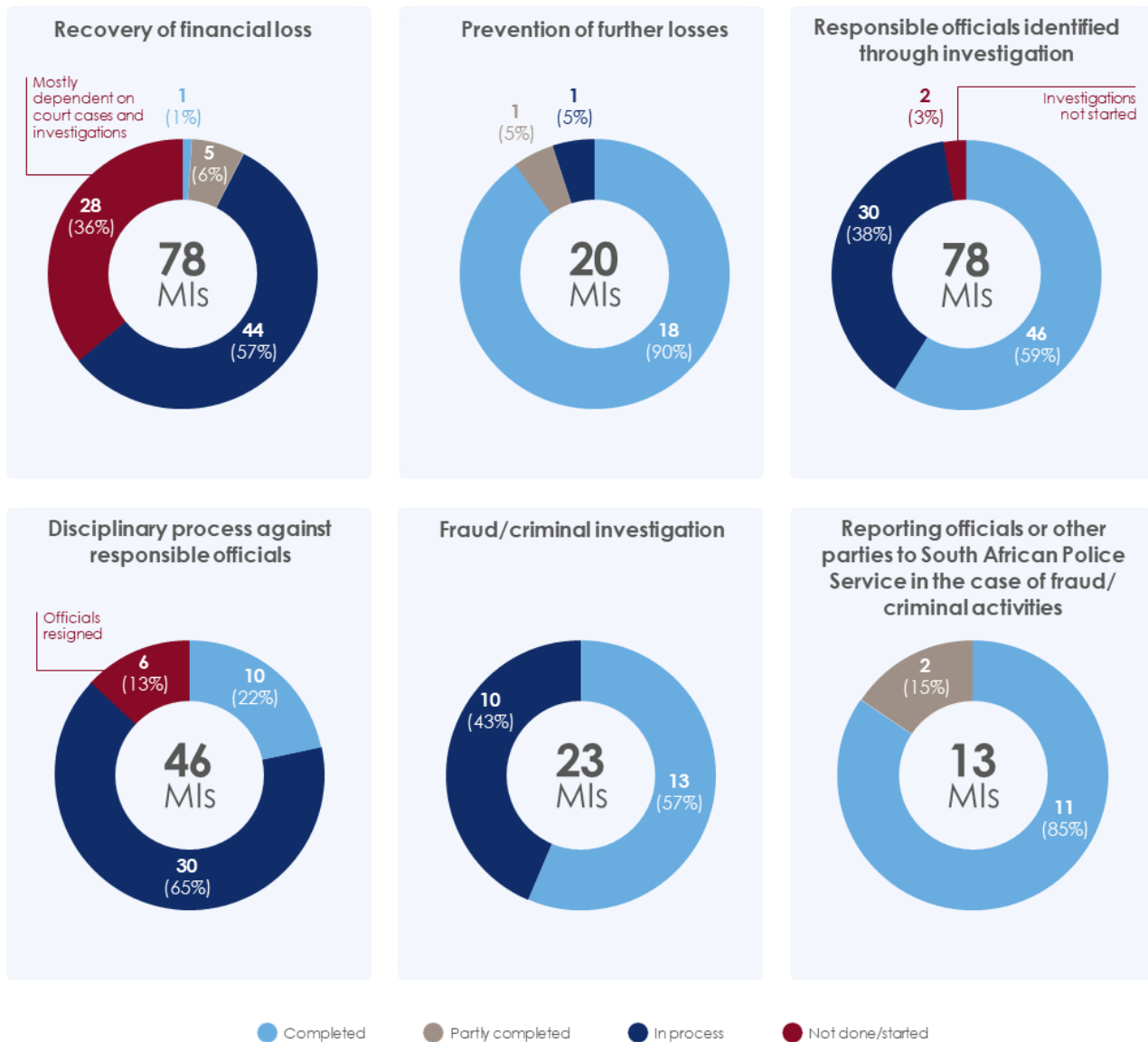
Status: appropriate action

Appropriate action means that we have assessed the steps being taken to resolve the MI and are comfortable that these, when fully implemented, will result in the MI being resolved.

Different MIs need different actions (and sometimes a combination of actions) to be resolved. Some MIs require financial losses to be recovered while others also require further financial losses from the MI to be prevented. Some MIs require consequences to officials identified as being responsible and others require fraud or criminal investigations and reporting of the outcome to the SAPS. The status of the key actions is provided.



MIs requiring specific actions to resolve – status



Some MIs can be resolved within a short period but some require the auditees to correct deep-rooted issues or quantify multiple years of financial loss, which will take longer to address. The average 'age' of the 91 MIs where appropriate action is being taken to resolve the MI is 19 months (from date of notification).

The ageing of MIs is influenced by delays in implementing the necessary action. Where we assessed such delays to be reasonable, we did not invoke our powers. However, the delayed resolution of MIs again highlighted the challenges in national and provincial government – some of which we describe below.

A common reason for delayed resolution is prolonged investigations or delays by public bodies, which hamper the timely recovery of financial losses, consequence management processes and criminal proceedings. In the table that follows, we provide details on MIs where appropriate action is being taken, but the resolution is not only the responsibility of the accounting officer or authority but also the public body involved in investigating the MI or recovering the financial loss. Some of the investigations only commenced recently, but there are also delayed investigations.

Public bodies investigating MIs or recovering financial losses – referred by accounting officer or authority

| Auditee | Material irregularity | Date referred |
|--|---|----------------|
| Hawks | | |
| Community Safety and Transport Management – NW | Participation in a contract for learner driver training services of another department – procurement beyond scope of contract | February 2017 |
| Community Safety and Transport Management – NW | Payment made for flight subsidies and route marketing services that were not received | May 2020 |
| Education – EC | Payment made for refurbished furniture not delivered | December 2020 |
| Health – NC | Overpayment for radiology services | January 2021 |
| Health – NW | Price paid for maintenance of medical equipment not market related | June 2021 |
| Department of Cooperative Governance | Prepayment for goods and services that were not received at CWP sites | September 2021 |
| Department of Cooperative Governance | Project management fees paid to implementing agents for services not received – 2019 | September 2021 |
| Department of Cooperative Governance | Payments for services not received – deceased participants on CWP | September 2021 |
| Education – EC | Prepayment for goods not delivered | March 2022 |
| SAPS | | |
| Department of Basic Education | Learner materials distributed to learners who did not qualify to be on the Kha Ri Gude programme | May 2017 |
| Community Safety, Security and Liaison – MP | No bank deposits for licences issued at regional authorities | December 2018 |
| Transport – EC | Theft of construction grader | July 2019 |
| Health – MP | Fictitious payments made from infrastructure maintenance budget | March 2021 |
| Coega Development Corporation | Theft of student stipends | April 2021 |
| State Attorney | | |
| Health – GP | Procurement of V-blocks IT infrastructure without inviting competitive bids | July 2019 |
| Health – NW | Functionality points incorrectly calculated on maintenance contract | August 2021 |
| Education – NW | Overpayment of professional fees at Lykso Primary School (2020-21) | September 2022 |
| Special Investigating Unit (SIU) | | |
| South African Broadcasting Corporation | Security contract awarded to a bidder that did not score the highest points in the bid evaluation process | July 2018 |
| South African Broadcasting Corporation | Rental/office expenditure paid for unoccupied office space | July 2018 |
| Community Safety and Transport Management – NW | Procurement process not followed to appoint scholar transport suppliers | July 2019 |
| Community Safety and Transport Management – NW | Payments made for scholar transport services that were not received | July 2019 |
| Passenger Rail Agency of SA | Unfair procurement process for appointment of general overhaul and upgrade contractors – multiple suppliers | August 2019 |
| Property Management Trading Entity | Unfair procurement process for the Beitbridge Borderline Infrastructure Project | July 2020 |

| Auditee | Material irregularity | Date referred |
|---|---|--|
| Property Management Trading Entity | Beitbridge Borderline Infrastructure Project Establishment Cost | July 2020 |
| Health – KZN | Procurement of sanitiser detergent at prices higher than permissible | July 2020 |
| Transport – KZN | Payments made for standing time following suspension of work for the construction of a concrete barrier wall | April 2021 |
| Public Works and Roads – NW | Prepayment made to contractor for addressing flood | March 2021 |
| Department of Public Works | Price and quantity variances pertaining to the funeral related expenditures | May 2021 |
| Free State Development Corporation | Payment for transformer with no evidence of goods/services received | November 2021 |
| Competition Commission | | |
| Health – GP | Procurement of masks at excessive prices | April 2022 |
| Health – GP | Procurement of sanitisers at excessive prices | April 2022 |
| Combined actions/investigations | | |
| Department of Cooperative Governance | Transfer payment to incorrect recipient for Municipal Infrastructure Grant | Hawks – October 2018 State attorney – July 2019 |
| Public Works, Roads and Infrastructure – LP | Routine road maintenance contract awarded to supplier that did not score the highest points | SIU and Hawks June 2021 |
| Health – FS | Payments made for work not performed at the National Hospital for repairs and renovations of workshop, garages, laundry, pharmacy and kitchen | SAPS – February 2022 SIU – April 2022 |
| Health - FS | Payments for work not performed at the National Hospital for repairs and renovations of doctor's residents and outpatient building | SAPS – February 2022 SIU – April 2022 |

The speedy recovery of lost funds is often hampered by suppliers being liquidated or delays in recovery by the State Attorney.

- In 2014 and 2018, the South African Social Security Agency made payments to a service provider for services not delivered. The service provider is under liquidation, making it unlikely that the total financial loss of R391,2 million will be recovered. The slow finalisation of the liquidation process also delays processes of recovering the remaining losses from liable officials.
- During the evaluation process for a contract to service, repair and maintain equipment at health facilities, the North West Department of Health incorrectly disqualified a supplier, which resulted in higher prices being paid for the services. The official identified through an investigation as being responsible for the financial loss resigned. The accounting officer handed the matter over to the State Attorney in August 2021 for civil recovery from the official. By July 2022, no progress had been made and the accounting officer consequently withdrew the mandate from the State Attorney and appointed a legal firm to commence with recovery for the department.

Instability continues to have an impact on resolving MIs. After we issued an MI notification, we often have to re-issue the notification or the progress of resolving the MI comes to a halt if the original accounting officer or authority changes.

We notified the board of the Passenger Rail Agency of South Africa of nine MIs in 2019. The resolution of these MIs has shown little progress over the past three years as the entity has been plagued by instability at both board and key management level. After the board was disbanded, the High Court set aside the appointment of an administrator. An accounting authority functionary was then appointed as well as a new board in October 2020 to return some level of stability to the entity. However, the instability at chief executive level continued throughout this period, with the last appointee being removed from office and the position currently being filled in an acting capacity. Progress with implementing the recommendation from investigations into the MIs was only evident from May 2022.

The area in which we often see delays is in disciplining officials responsible for MIs. Either the investigation to identify the responsible officials takes too long or the disciplinary processes against implicated officials are delayed.

After we issued two MIs to the Property Management Trading Entity relating to the Beitbridge Borderline Infrastructure project, the accounting officer initiated disciplinary action against the implicated officials. The State Attorney handled the case. The first hearing scheduled for April 2021 was postponed due to the legal representative of one of the officials not attending, pending a court application for reviewing the investigations report, the directive issued by the minister and the disciplinary enquiry. A second hearing for the senior official implicated was subsequently scheduled for May 2021, during which the chairperson ruled that the court application had a bearing on the disciplinary action. The disciplinary proceedings against the three senior managers were postponed indefinitely, pending the outcome of the judicial review.

Department of Defence

Since the MI process was implemented at the DoD, we notified the Secretary of Defence (who is the accounting officer of the department) of five MIs. We referred the MIs on the unfair award for the supply of fuel (as detailed in the earlier examples) to the Hawks.

The other four MIs and their status follow:

Inventory and asset management contract not awarded to only the bidder that scored the highest points in the evaluation process

In February 2017, the department awarded the contract for inventory and asset management for a period of five years, starting on 1 March 2017. The department did not comply with the requirements of the Preferential Procurement Policy Framework Act because it did not award the entire contract to the bidder that scored the highest points in the evaluation process. The non-compliance is likely to result in a material financial loss as the contract was awarded to two bidders on a 50/50 basis at an increased price of R922 million for the same scope of work. This resulted in an increase of R250,56 million to the project cost.

The accounting officer disagreed with the notification and stated that there had not been any non-compliance in awarding the contract. The National Treasury then further investigated the matter and confirmed on 28 February 2020 that legislation had been contravened in awarding this contract. We included recommendations in the department's 2019-20 audit report, which the accounting officer was required to implement by 30 November 2020. Based on our assessment of the written response and supporting evidence submitted by the accounting officer, we concluded that the recommendations had not been adequately implemented and gave an extension until 30 April 2021 to implement those recommendations.

We concluded that the recommendations had not been implemented adequately and on 18 August 2021, the auditor-general issued a directive to the accounting officer to determine the amount of the financial loss and to recover such loss or make progress with recovering the loss from the responsible person by 18 November 2021. She also notified the accounting officer of the following remedial actions to address the MI, which should be implemented by the same date:

- Effective and appropriate disciplinary steps must be taken against any civilian official that the investigation finds to be responsible and appropriate action must be taken to determine whether any such person is liable for the losses suffered by the department for the purpose of recovery.
- Steps must be taken to ensure that the chief of the South African National Defence Force (SANDF) takes the same actions against any military command officials that the investigation finds to be responsible. If the required action is not taken, the accounting officer must promptly notify the executive authority of such failure.

The financial loss was prevented as the department spent a lesser amount than the initial contracted value.

The accounting officer and the chief of the SANDF did not implement the remedial actions for consequence management of both civilian and military command officials.

Lease payments made for unoccupied office buildings

From 2015-16 to 2019-20, the department made lease payments for unoccupied office buildings, in contravention of the Public Finance Management Act, which requires the effective, efficient, economical and transparent use of the department's financial resources. The non-compliance resulted in a financial loss of R108,3 million.

We notified the accounting officer of the MI on 11 August 2020. The accounting officer responded with planned actions to resolve the MI, which we considered appropriate. On 20 April 2021, we submitted a request for information on the progress made in addressing the MI but did not receive a response. Therefore, we concluded that appropriate action is not being taken. We included a recommendation in the 2020-21 audit report, which the accounting officer was required to implement by 11 November 2021:

- The amount of the financial loss should be determined and the officials responsible for the financial loss should be identified.
- Effective and appropriate disciplinary steps should be taken against any civilian official and military command official whom the investigation found to be responsible.
- Appropriate action must be taken to determine whether the responsible official(s) is/are liable by law for the losses suffered by the department for the purpose of recovery.

The department convened a second board of inquiry (BOI) into the circumstances that led to the MI during December 2021. In its conclusion, the BOI acknowledged the financial loss but did not find anyone liable for the loss. We assessed the outcome of the BOI and concluded that its conclusion was not appropriate and appropriate action was not taken to implement the recommendations.

Personal protective equipment not procured in a cost-effective manner

The department procured 1 000 infrared thermometers in April 2020 at prices higher than those recommended by the National Treasury.

A BOI was convened in August 2021 to investigate the MI but had to be reconvened due to the shortcomings identified regarding the first inquiry. As at the date of the audit report, a new BOI had not been convened. We concluded that appropriate action is not being taken to address the MI.

Import of unregistered drug

The department imported 970 895 vials of the unregistered drug Heberon at an estimated cost of R260,6 million from a Cuban supplier without approval from Sahpra.

Sahpra authorised the use of only 10 vials of Heberon on a single patient on 5 October 2020 and rejected the department's bulk stock application on 21 October 2020.

At the instruction of Sahpra dated 3 November 2021, the department repatriated all the drugs to the foreign supplier between January and February 2022. The accounting officer did not provide any further feedback on actions taken to resolve the MI, including the R33,5 million paid. Therefore, we concluded that the actions taken were not adequate to fully address the MI.

One of the main reasons that the MIs of the DoD are not being resolved timeously are challenges in applying the required disciplinary processes caused by complexities in the accountability arrangements as defined in legislation. The Defence Act does not provide for the defence secretary (who is the accounting officer of the department) to take disciplinary steps against military officials, as they fall under the command of the chief of the defence force.

Based on the defence secretary's investigations, she referred the matters to the chief to deal with, but the chief did not take any action and in one instance, the military BOI found that the military officials should not be held accountable. For some of the MIs the defence secretary also did not take action against the civilian officials.

The PAA requires us to keep the accounting officer responsible for resolving MIs but the provisions in the Defence Act and the current DoD structure created a conflict in the accountability framework. The auditor-general is carefully considering the next course of action regarding these MIs.

Using our expanded mandate

We are fully committed to implementing the enhanced powers given to our office – without fear, favour or prejudice. If accounting officers and authorities, supported by their political leadership, fulfil their legislated responsibilities and commit to taking swift action when we notify them of an MI, there is no need for us to use our remedial and referral powers. Yet we do not hesitate to use these powers when accounting officers or authorities do not deal with MIs with the required seriousness.

The **recommendations** we include in the audit reports are not the normal recommendations we provide as part of our audits but instead deal with the actions accounting officers and authorities should take to resolve a specific MI. It typically deals with the following:

- Recovery: Steps to be taken to recover financial and public resource losses or to recover from harm.
- Prevention: Steps to be taken to strengthen internal controls to prevent further losses and harm.
- Consequences: Steps to be taken to effect consequences for the transgressions, including disciplinary processes and, if applicable, handing over the matter to a law-enforcement agency.

We included recommendations on eight MIs in the audit reports of six auditees. The impact of using our powers is demonstrated by the two MIs where recommendations that were issued in the previous year were resolved during the current year.

Details on recommendations issued

| Auditee | Material irregularity | Issue date | Implementation date | Status |
|---------------------------------------|---|-----------------|---------------------|---|
| Department of Cooperative Governance | Payments to non-qualifying government employees on CWP | 29 August 2021 | 31 January 2022 | MI has been resolved |
| Department of Public Works | Expenditure on State events exceeding contract amount | 3 August 2021 | 03 February 2022 | MI has been resolved |
| Department of Defence | Lease payments made for unoccupied office buildings | 12 August 2021 | 11 November 2021 | Recommendations not implemented – refer to section on DoD |
| Health (EC) | Standing time charged for late payments | 5 May 2022 | 4 November 2022 | Response received. Assessing response |
| National Skills Fund | Payments made for duplicate unit standards | 2 June 2022 | 2 December 2022 | Recommendations not due yet |
| Property Management Trading Entity | Leeuwkop prison asset not appropriately safeguarded during construction | 29 July 2022 | 30 January 2023 | Recommendations not due yet |
| South African Social Security Agency | R350 grant payments to ineligible applicants | 29 July 2022 | 30 January 2023 | Recommendations not due yet |
| National Student Financial Aid Scheme | Disbursements in excess of contract amount | 4 November 2022 | 4 August 2023 | Recommendations not due yet |
| | Collection of money owed by tertiary institutions | 4 November 2022 | 4 August 2023 | Recommendations not due yet |
| | Interest not charged on student loan accounts | 4 November 2022 | 4 August 2023 | Recommendations not due yet |

If our recommendations are not implemented, we issue **remedial actions** that cover the same areas of recovery, prevention and consequences. Remedial action is a binding instruction issued by the auditor-general. If the MI caused a financial loss for the state, the remedial action also includes a directive for the financial loss to be quantified and recovered.

We issued remedial actions for four MIs of three auditees. One MI where remedial action was issued the previous year was resolved.

Details on remedial action issued

| Auditee | Material irregularity | Issue date | Implementation date | Status |
|-----------------------------|--|-----------------|---------------------|--|
| Passenger Rail Agency of SA | Unfair procurement process followed in the appointment of a contractor for the purchase of locomotives | 15 August 2021 | 15 December 2021 | MI has been resolved |
| Human Settlements – FS | Development of community residential units, block G – Thabong extension 3, Welkom | 27 October 2021 | 30 April 2022 | Remedial action not implemented. Further action issued by escalating the failure |

| Auditee | Material irregularity | Issue date | Implementation date | Status |
|------------------------------------|---|-----------------|---------------------|---|
| Human Settlements – FS | Overpayments on housing project F10110004 Kroonstad 350 | 27 October 2021 | 30 April 2022 | to executive authority for intervention. Accounting officer submitted revised response on actions taken on 30 September 2022. Response being assessed |
| Free State Development Corporation | Long outstanding receivables for utility not collected | 20 July 2022 | 20 November 2022 | Remedial action not due yet |

If a directive was issued for the financial loss to be quantified and recovered and it is not implemented by the stipulated date, we can move towards the **certificate of debt** stage. The MIs currently in the remedial action stage do not qualify to be considered for a certificate of debt.

We made **referrals to public bodies** for the investigation of six MIs at six auditees.

Details on referrals made to public bodies by the AGSA

| Auditee | Material irregularity | Referral date | Public body | Status |
|------------------------------------|---|------------------|-------------------|--|
| Health – NC | Evaluation criteria applied in medical waste award different from original bidding invitation | 7 October 2019 | National Treasury | Investigation has been finalised and report handed over to the AGSA. National Treasury referred to Hawks for further investigation and investigation ongoing |
| Human Settlements – FS | Development of community residential units Block G Thabong: Payment for covid-19 standing time not in terms of the contract | 18 August 2022 | Hawks | Referral being assessed for further investigation |
| National Treasury | Payment for technical support and maintenance on the IFMS programme not in use by the department | 13 January 2022 | SIU | Investigation ongoing |
| Department of Defence | Unfair award for the supply of fuel | 19 November 2021 | Hawks | Investigation ongoing |
| South African Post Office Limited | Lack of implementation of effective controls on the SASSA beneficiary payment system | 19 November 2021 | Hawks | Investigation ongoing |
| Free State Development Corporation | Long outstanding receivables for utility not collected | 19 November 2021 | Hawks | Investigation ongoing |
| Umgeni Water Board | Payment for consultancy services not received | 26 July 2022 | SIU | Investigations have not yet commenced |
| Umgeni Water Board | Invalid payment of establishment costs on security contract | 26 July 2022 | SIU | Investigations have not yet commenced |

Call to action

Our expanded mandate did not change the role and responsibilities of accounting officers and authorities or the oversight and monitoring roles of executive authorities and oversight structures to prevent and deal with irregularities, such as non-compliance, fraud, theft and breaches of fiduciary duty. Through the MI process, we strengthen them in this role.

Roles and responsibilities in material irregularity process



To strengthen accountability mechanisms in the public sector

Accounting officers and authorities

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



AGSA

- **Identify irregularities that could have significant impact** on auditee's finances, resources and delivery
- Notify accounting officer/ authority so they can **take appropriate steps in terms of legislation** timeously
- **Give space to accounting officer/ authority to take required actions** to deal with material irregularities before using our additional powers

Oversight and executive authorities

Oversight and monitoring roles remain unchanged






AGSA

By reporting material irregularities, we highlight **most material matters** and provide information to assist oversight and monitoring roles

Success is: swift action by accounting officer/authority to resolve material irregularities and prevent recurrence

Although the accounting officers and authorities are notified of the MIs and they have the legislated responsibility to appropriately deal with the irregularities and the resultant losses, misuse and harm, the executive authorities and oversight also have a very important role to play. The responsibilities for the further steps to be taken by the accounting officer or authority, executive authorities, public bodies and oversight to resolve an identified MI are detailed below.

Responsibilities of key role players to resolve an identified material irregularity

| | Accounting officer/authority (AO/AA) | Executive and oversight |
|---|---|--|
|  <p>AO/AA is dealing with MI</p> | <p>AO/AA... implements committed actions to address MI and improves controls to prevent reoccurrence</p> <p>AGSA... follows up in next audit if actions were implemented and if outcomes were reasonable; if not; can result in referral or recommendation in audit report</p> | <p>Executive... monitors progress and supports AO/AA in addressing MI and improving controls</p> <p>Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes</p> |
|  <p>MI is referred to public body</p> | <p>AO/AA... cooperates with public body and implements any remedial actions/recommendations made; improves controls to prevent reoccurrence</p> <p>AGSA... provides information on MI to public body, monitors progress with investigation and follows up in audits on implementation of any remedial actions/recommendations</p> | <p>Executive... supports public body investigation and AO/AA in improving controls; if responsible for public body, monitors progress with investigation</p> <p>Oversight... monitors progress with investigation and calls public body to account for undue delays in investigation</p> |
|  <p>Recommendation included in audit report</p> | <p>AO/AA... implements recommendations by date stipulated in audit report and improves controls to prevent reoccurrence</p> <p>AGSA... follows up by stipulated date if recommendations were implemented and if outcomes were reasonable; if not, issue remedial action</p> | <p>Executive... monitors progress and supports AO/AA in implementing recommendations and improving controls</p> <p>Oversight... monitors progress and calls AO/AA to account for actions taken and outcomes</p> |

We urge all role players in the national and provincial ecosystem to support, monitor and oversee the resolution of MIs. When the auditor-general's powers of referral and remedial action (and the issuing of certificates of debt in future) are invoked, it not only reflects poorly on the accounting officer or authority, but also means that the whole accountability value chain has failed, up to executive and oversight level.

In particular, we recommend that:

- portfolio committees in Parliament and provincial legislatures request quarterly reports from accounting officers and authorities on the status of their material irregularities and to account for any unreasonable delays in resolving the MIs
- portfolio committees in Parliament responsible for public bodies where there are delays in investigations as detailed earlier also request regular reports on the status of these investigations and must address any unreasonable delays in the investigations.

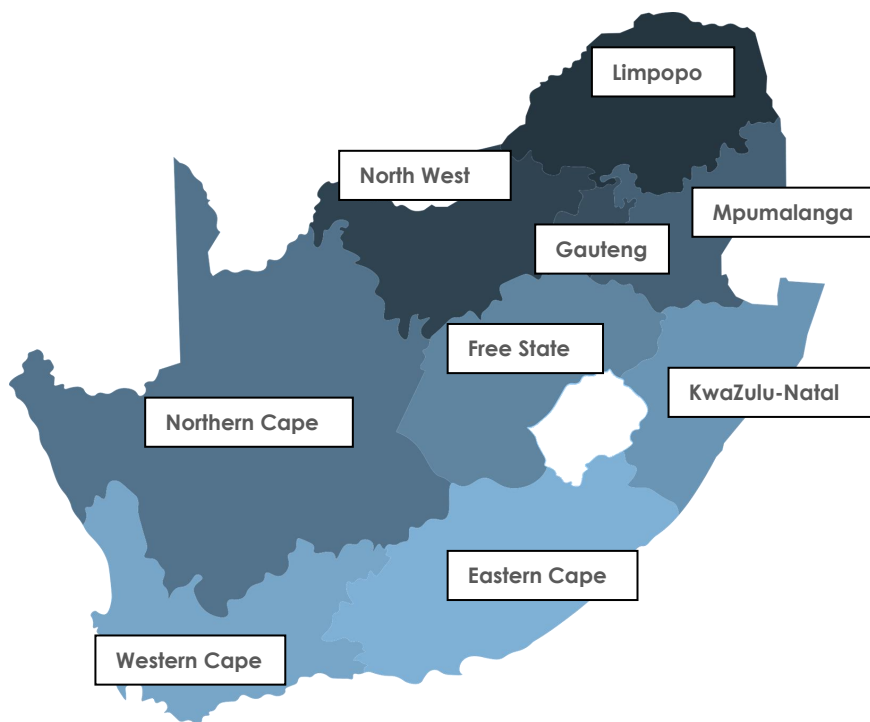
Detail on material irregularities

In the sections that follow, the detail of the 158 MIs is included per province (section 2) and at national level, it is presented per ministerial portfolio (section 3).

We trust the information in this report will enable Parliament and the provincial legislatures to perform their oversight role in support of the MI process. We remain committed to contribute through our enforcement mandate to a public sector culture of performance, accountability, transparency and integrity.



Provincial government material irregularities



National government material irregularities

| | | |
|--|--|---|
|  Basic education |  Environmental, forestry and fisheries |  Minerals and Energy Resources |
|  Communication |  Finance |  Public enterprises |
|  Cooperative governance and traditional affairs |  Higher education, science and technology |  Public works and infrastructure |
|  Defence and military veterans |  Human settlements, water and sanitation |  Social development |
|  Employment and labour |  Justice and correctional services |  Transport |

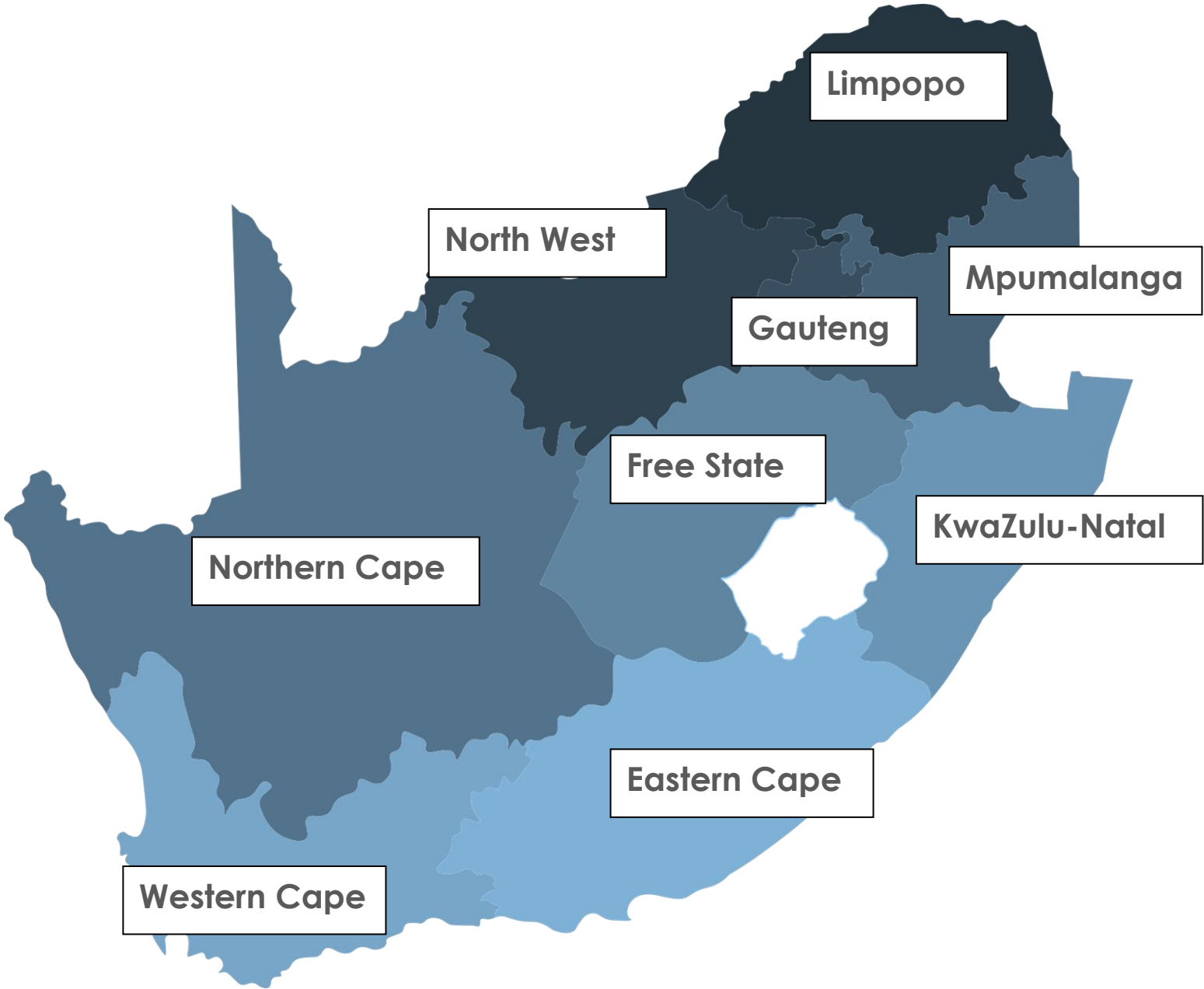


SECTION

2

Provincial government material irregularities





| No. | Notified | Type | MI description | Status | Status description |
|--------------------------------------|----------------|--|---|--------------------------------|---|
| EASTERN CAPE (15) | | | | | |
| Coega Development Corporation | | | | | |
| 1. | 8 October 2021 | Suspected fraud, resulting in loss | <p>An employee at Coega's skills development centre created fictitious students on the system and facilitated the transfer of stipends into his own bank account. This took place from 2013 to February 2021.</p> <p>Irregularity: Suspected fraud</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> Investigations by the internal audit unit and a legal firm into the matter were concluded on 26 April 2021 and 26 August 2021, respectively, which substantiated the allegations, quantified the loss and identified the responsible official. Disciplinary process was instituted and the employee was dismissed on 28 April 2021. The internal controls relating to the capturing, review and approval of new students on the system were enhanced to address the deficiencies identified. <p>Further action planned/in process:</p> <ul style="list-style-type: none"> A criminal case was reported to the SAPS on 14 April 2021 for further criminal investigation and the investigation is still in progress. R153 532 of the financial loss has been recovered from the provident fund on 29 June 2021 and leave pay as well as the final salary of the employee on 30 April 2021. In attempt to recover the remaining financial loss of R6,9 million the AA lodged an insurance claim on 13 April 2021 for the loss that has not yet been recovered and this is still in progress as the claim has not yet been settle. The claim has been delayed by a dispute between the insurance company and the entity. |
| Education | | | | | |
| 2. | 22 July 2021 | Payment not made or not made in time, resulting in | Payments to a contractor for maintenance and construction projects at an early childhood development centre, a farm school, were not made within 30 days, resulting in interest being | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The AO instituted an investigation into the matter in August 2021. The department initially committed to conclude the investigation by December 2021 but has not met this timeframe due to the non-availability of information</p> |

| No. | Notified | Type | MI description | Status | Status description |
|-----|--------------|---|---|--------------------------------|---|
| | | interest/ standing time/ penalties | charged. The late payments were made during the 2020 financial year. Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R1,4 million | | requested from the implementing agents. The AO committed to conclude the investigation in October 2022. |
| 3. | 22 July 2021 | Payment not made or not made in time, resulting in interest/ standing time/ penalties | A payment to a supplier responsible for renovating and redeveloping the Healdtown school campus was not made within 30 days. This led to the supplier instituting legal proceedings against the department and charging interest for late payments made during the 2021 financial year Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R1,3 million | Appropriate actions in process | Actions planned/in process: The AO instituted an investigation into the matter, initially submitting it to risk services and subsequently to the internal control unit of the department in August 2021. The department committed to conclude the investigation in August 2022 and we are following up on the committed action. |
| 4. | 22 July 2021 | Payment not made or not made in time, resulting in interest/ standing time/ penalties | The department did not pay a service provider responsible for a document management centre project within 30 days, resulting in interest being charged for late payments made during the 2021 financial year Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R2,7 million | Appropriate actions in process | Actions planned/in process: The AO instituted an investigation into the matter in August 2021. The department initially committed to conclude the investigation by December 2021 but has not met this timeframe due to the non-availability of information requested from the implementing agents. The AO committed to conclude the investigation in October 2022. |
| 5. | 26 July 2021 | Payment for goods or services not received | The department made payments in December 2020 to a supplier to manufacture and deliver school furniture, but the goods were not delivered. Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R1,5 million | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The AO instituted an investigation into the matter, which was concluded in July 2020. The investigation identified the responsible official who should be held accountable for the financial loss. Further actions planned/in process: <ul style="list-style-type: none"> The responsible official was suspended. Final charges were served on the employee in July 2022 and the hearing is scheduled to start in October 2022. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------------|---|---|--------------------------------|---|
| | | | | | <ul style="list-style-type: none"> The State Attorney was requested to recover an amount of R1,5 million from the supplier and the letter of demand was sent to the supplier on 23 May 2022. The matter is currently in process as the supplier is defending it in court. A criminal fraud case has been opened against the supplier at the SAPS and further reported to the Hawks on 17 June 2021. These investigations are still in progress. |
| 6. | 31 August 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | The department did not make payment to a service provider for construction services within 30 days, resulting in standing time being charged by the contractor during 2021 financial year Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R3,6 million | Appropriate actions in process | Actions planned/in process: The AO instituted an investigation into the matter in October 2021. The department committed to conclude the investigation by December 2021 but has not met this timeframe due to non-availability of information requested from the implementing agents. The AO committed to conclude the investigation in October 2022. |
| 7. | 9 August 2021 | Payment for goods or services not received | The covid-19 presidential fund was used contrary to its intended purpose. The non-compliance occurred between December 2020 and March 2021 and included: <ul style="list-style-type: none"> double payment of presidential fund educators payment of educators already paid by the department and also paid from the presidential fund payment of non-teaching staff payments to the youth for more than the set amounts. Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R1,5 million | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The matter was investigated by internal audit of the department for all schools that benefitted. The investigation was completed in August 2022. Further actions planned/in process: <ul style="list-style-type: none"> Reimbursement letters were issued by the department, instructing the schools to repay funds that were not used for their intended purpose. The letters were issued at different dates, starting when the matter was identified during the audit in July 2021 and continued up to August 2022. The department's risk management and legal services are assisting with the process of recovering funds that have not been used for their intended purpose. The AO committed that failure to reimburse the department will result in disciplinary action. The proposal on possible options for recovering the debt is being discussed with legal services and the relevant stakeholders. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|-----------------|---|---|--------------------------------|---|
| 8. | 15 October 2020 | Payment for goods or services not received | <p>The department made payments in June, August, August and October 2019 for a school furniture refurbishment service that was not rendered. This was due to a lack of effective controls for approving and processing payments, as the payments were not approved by the department's project managers.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO conducted an investigation, which was completed on 9 November 2020 and identified two responsible officials. Disciplinary processes against the responsible employees were finalised in May 2021; one of the employees were exonerated and the other found guilty. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> A written communication was sent to the supplier requesting that all the outstanding furniture be delivered by August 2021, which was not honoured. In March 2022, the department instructed the State Attorney to institute legal action to recover the monies from the supplier. The department is still waiting for feedback from the State Attorney on actions taken so far. In October 2022, the attorney of the supplier responded to the letter of demand sent by the State Attorney requesting to be furnished with the breakdown of the amount the supplier owes the department. The matter was reported to the SAPS and the Mthatha commercial crimes unit in December 2020. The investigation is in process. |
| 9. | 31 August 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>The department did not pay a contractor within the required 30 days during the 2020 financial year. The supplier left the site and charged the department for standing time.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R5,7 million</p> | Recommendations | <p>The AO did not take appropriate action to resolve the MI.</p> <p>We notified the AO of the following recommendations, which should be implemented by 4 November 2022:</p> <ul style="list-style-type: none"> The fruitless and wasteful expenditure incurred in respect of the extension-of-time claims should be investigated and the financial loss incurred should be quantified in accordance with the applicable instruction note(s) issued by the National Treasury dealing with fruitless and wasteful expenditure. The investigation should determine the reasons and circumstances that led to the extension-of-time claims for the purpose of developing and implementing an action plan to address control weaknesses. Effective and appropriate disciplinary steps should be initiated without undue delay, against any official that the investigation found to be |

| No. | Notified | Type | MI description | Status | Status description |
|--------------------------|-----------------|---|--|----------|---|
| | | | | | responsible, as required by section 38(1)(h) of the PFMA and in accordance with TR 9.1.3. 4. <ul style="list-style-type: none"> • Appropriate action should be taken to determine whether the responsible official is liable by law for the losses suffered by the department for the purpose of recovery, as required by TR 9.1.4 and 12.7.1. 5. • Appropriate action should be taken to ensure that the cash flow requirements of all projects, including the cash flow requirements of implementing agents, are included in the annual budget and adjustment budget of the department. |
| Human Settlements | | | | | |
| 10. | 30 October 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | A contract for housing units valued at R30,9 million was awarded in August 2019 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid as the cost of units from the appointed bidder was higher than that of the bidder scoring the highest points. <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Resolved | The actions taken to resolve the MIs were as follows: <ul style="list-style-type: none"> • The AO applied to the High Court to have the contracts set aside. The High Court ordered that the appointment letter and SLA entered into between the department and the successful bidder were invalid in terms of section 172(1)(a) of the Constitution and that the contract should be set aside from the date of the order. • The AO appointed a service provider to perform an investigation into the officials in the SCM unit and bid committee members, which identified the responsible person. • The AO took the necessary steps against the responsible person in accordance with policies of the department. • Written warning letters were issued to the responsible individuals and the CFO was suspended and subsequently dismissed. |
| 11. | 30 October 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | A contract for housing units valued at R16,8 million was awarded in April 2019 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid, as the cost of units from the appointed bidder was higher than that of the bidder scoring the highest points. | Resolved | The actions taken to resolve the MIs were as follows: <ul style="list-style-type: none"> • The AO applied to the High Court to have the contracts set aside. The High Court ordered that the appointment letter and SLA entered between into between the department and the successful bidder were invalid in terms of section 172(1)(a) of the Constitution and that the contract should be set aside from the date of the order. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|-----------------|---|--|------------------------------------|--|
| | | | <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AO</p> | | <ul style="list-style-type: none"> • The AO appointed service provider to perform an investigation into the officials in the SCM unit and bid committee members, which identified the responsible person. • The AO took the necessary steps against the responsible person in accordance with policies of the department. • Written warning letters were issued to the responsible individuals and the CFO was suspended and subsequently dismissed. |
| 12. | 30 October 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>A contract for housing units valued at R21,4 million was awarded in April 2019 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid as the cost of units from the appointed bidder was higher than that of the bidder scoring the highest points.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Resolved | <p>The actions taken to resolve the MIs were as follows:</p> <ul style="list-style-type: none"> • The AO applied to the High Court to have the contracts set aside. The High Court ordered that the appointment letter and SLA entered into between the department and the successful bidder were invalid in terms of section 172(1)(a) of the Constitution. However, the contract was not set aside. • The AO appointed service provider to perform an investigation into the officials within the SCM unit and bid committee members, which identified the responsible person. • The AO took the necessary steps against the responsible person in accordance with policies of the department. • Written warning letters were issued to the responsible individuals and the CFO was suspended and subsequently dismissed. |
| 13. | 30 June 2022 | Payment for goods or services not received | <p>The department paid management fees during the 2021-22 financial year for services in advance without the services being rendered. This was also not in line with the terms of the contract.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | We are evaluating the AO response to the notification of the MI. |

| No. | Notified | Type | MI description | Status | Status description |
|------------------|-----------------|--|--|--------------------------------|--|
| Transport | | | | | |
| 14. | 7 July 2020 | Assets not safeguarded, resulting in loss | <p>A construction grader was stolen in July 2019 from the premises of a community member, having been left there with the keys and operator tag inside the vehicle.</p> <p>Irregularity: Non-compliance with section 38(1)(d) of the PFMA</p> <p>Impact: Material financial loss of R1,5 million</p> | Appropriate actions in process | <p>Actions taken:</p> <p>The departmental investigation committee concluded an investigation in August 2020 with the outcome of the investigation identifying the responsible official.</p> <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The theft was reported to the SAPS in July 2019. The SAPS is in the process of recovering the grader as it had been found in Lesotho. The AO instituted disciplinary action in February 2021. The AO intends to conclude this disciplinary process upon finalisation of the investigation by the SAPS. |
| 15. | 15 October 2021 | Payment for goods or services not received | <p>The department paid a contractor between October 2017 and August 2018 for the upgrading of Road DR08589 located between the Elitheni coalmine and the R56 without evidence of work having been performed.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R13,1 million</p> | Appropriate actions in process | <p>Action taken:</p> <ul style="list-style-type: none"> The AO cancelled the contract with the contractor in March 2021. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> To recover some of the funds, the department has not made payments to the contractor as per the submitted payment certificates for other work done. The total overpayment is R13,1 million and the funds withheld are R7,9 million. There is an ongoing court process to claim the outstanding balance. The contractor lodged legal action through the High Court to demand payment of the amount withheld by the department and the department processed a counter legal claim on 13 May 2022 to oppose this action and to recover the balance owing of R5,18 million. The supplier has pleaded the counterclaim and the matter is at the discovery stage. The AO has confirmed that an investigation will be conducted to identify the cause of the overpayment. The AO has not yet commenced with the investigation and committed to provide an update in November 2022. The delay in commencement of the investigation was due to further engagements with the AO after receiving the response on the MI. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|--------------------|
|-----|----------|------|----------------|--------|--------------------|

FREE STATE (8)

Education

| | | | | | |
|-----|----------------|---|---|----------|--|
| 16. | 16 August 2021 | Sars late payments, resulting in interest and penalties | <p>Employee taxes on leave gratuities and pro rata bonuses paid to retiring employees were not withheld and paid to Sars for the 2013 to 2016 tax periods.</p> <p>The department applied for a tax directive instead and incorrectly stated on the application forms that the payments were in lieu of severance benefits payable upon retirement.</p> <p>Sars concluded the matter on the final audited assessment dated 13 June 2017. The department paid the interest and penalties to Sars on 9 July 2020.</p> <p>Irregularity: Non-compliance with section 2(1) of the fourth schedule of the Income Tax Act</p> <p>Impact: Material financial loss of R55,4 million</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <p>The circumstances that resulted in the irregularity no longer exist, since the department is no longer requesting a tax directive from Sars for the payment of pro rata bonuses and leave gratuities. The AO investigated the loss and determined that no official should be held liable for the loss.</p> |
|-----|----------------|---|---|----------|--|

Free State Development Corporation

| | | | | | |
|-----|-----------------|--------------------|---|-------------------------------|--|
| 17. | 23 October 2020 | Debt not recovered | <p>A service provider appointed for electricity billing and collection did not pay over all the money collected between April 2019 and March 2020, amounting to R32,6 million. The total accumulative closing balance of the receivable due by the service provider on 31 March 2021 amounted to R109,2 million. Effective and appropriate steps were not taken to collect the outstanding amounts from the service provider.</p> | Remedial actions and referral | <p>The AA did not take appropriate action to resolve the MI. The matter was referred to the Hawks for investigation on 19 November 2021. The investigation is ongoing. The Hawks' investigation focuses on the fraudulent and criminal indicators identified and the quantification and recovery of any financial losses suffered through criminal activities.</p> <p>We further included recommendations in the 2020-21 audit report, which the AA was required to implement by January 2022. Based on the information provided by the AA and the follow-up work we performed, we concluded that the recommendations were not implemented adequately.</p> |
|-----|-----------------|--------------------|---|-------------------------------|--|

| No. | Notified | Type | MI description | Status | Status description |
|---------------|------------------|---|---|--------------------------------|---|
| | | | <p>The service provider was placed under voluntary liquidation in May 2020.</p> <p>Irregularity: Non-compliance with section 51(1)(b)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | | <p>The AG notified the AA of the following remedial actions to address the MI, which should have been implemented by 20 October 2022. The AA requested extension until 30 November 2022 to implement the remedial action, which was granted:</p> <ul style="list-style-type: none"> • Appropriate action should be taken to investigate the non-compliance, to determine if any official should be held responsible • Effective and appropriate disciplinary steps should commence against any official the investigation found to be responsible, as required by section 51(1)(e) of the PFMA. |
| 18. | 14 October 2021 | Payment for goods and services not received | <p>The entity paid for the replacement of a transformer at one of its residential properties in June 2019; however, no proof could be obtained that the transformer had been received.</p> <p>Irregularity: Non-compliance with section 57(a) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate actions in process | <p>Actions taken:</p> <p>The matter was investigated by the internal audit unit of the entity, which recommended that a case be opened with the SAPS or the SIU for further handling.</p> <p>Further actions planned/in process:</p> <p>The MI was subsequently reported to the SIU by the AA for investigation and to recover undue payments from whosoever may have benefited. In a letter to the public entity, dated March 2022, the SIU confirmed that the MI was referred to them and is under consideration for the purpose of obtaining a proclamation.</p> |
| Health | | | | | |
| 19. | 15 December 2021 | Payment for goods or services not received | <p>The department made payments during July 2017 to June 2019 for work not delivered on the contract for the renovations and repairs of workshops, garages, laundry, mortuary, pharmacy and kitchen at the National Hospital.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> • The AO terminated the contract of the implementing agent responsible for the project in February 2022 and reported the MI to the SAPS in February 2022 and the SIU in April 2022 for investigation. • No official could be held accountable as the official who certified the work was no longer in the employment of the department. The AO augmented the staff complement in the infrastructure unit by appointing building professionals to ensure that each staff member oversees a manageable number of projects. |

| No. | Notified | Type | MI description | Status | Status description |
|--------------------------|------------------|--|--|--------------------------------|--|
| | | | | | <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The contractors are back on site to complete the project and correct the discrepancies between the work done and the payments made, which should ultimately result in the prevention of losses on these projects. This project is currently in progress and an assessment of whether work done correlates with the payments previously made will be done once completed. |
| 20. | 15 December 2021 | Payment for goods or services not received | <p>The department made payments during July 2017 to August 2019 for work not delivered on the contract for the renovations and repairs of the doctor's residence and outpatient building at the National Hospital.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO terminated the contract of the implementing agent responsible for the project in February 2022, reported the MI to the SAPS in February 2022 and the SIU in April 2022 for investigation. No official could be held accountable as the official who certified the work was no longer in the employment of the department. The AO augmented the staff complement in the infrastructure unit by appointing building professionals to ensure that each staff member oversees a manageable number of projects. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The contractors are back on site to complete the project and correct the discrepancies between the work done and the payments made, which should ultimately result in the prevention of losses on these projects. This project is currently in progress and an assessment of whether work done correlates with the payments previously made will be done once completed. |
| Human Settlements | | | | | |
| 21. | 12 July 2019 | Payment for goods or services not received | <p>From the financial years 2014-15 to 2016-17, a contractor was paid for the development of community residential units in Thabong, which were not completed. A new contractor had to be appointed to complete the work.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> | Remedial action | <p>We included recommendations in the 2019-20 audit report, which the AO was required to implement by 28 July 2021. The recommendations did not require the AO to quantify or recover the financial loss suffered as the matter was handed over to the State Attorney to peruse the recovery of the financial loss. Based on the information provided by the AO and the follow-up work we performed, we concluded that the recommendations were not</p> |

| No. | Notified | Type | MI description | Status | Status description |
|-----|--------------|--|---|------------------|--|
| | | | <p>Impact: Material financial loss of R20,2 million</p> | | <p>implemented adequately, as the investigation had shortcomings in identifying the responsible officials for disciplinary action.</p> <p>The AG notified the AO of remedial actions to address the MI, which should have been implemented by 30 April 2022.</p> <p>The AO failed to adequately implement or make satisfactory progress with the implementation of the remedial action. We notified the executive authority to intervene by ensuring that the AO adequately implement or make satisfactory progress with the implementation of the remedial action by 30 September 2022 through:</p> <ul style="list-style-type: none"> • addressing the shortcomings in the investigation • commencing with the disciplinary actions against responsible official(s) without undue delay. <p>A new AO was appointed from 1 August 2022 and responded to the remedial action.</p> <p>We are currently assessing the response by the AO to determine if the remedial actions were implemented adequately.</p> |
| 22. | 12 July 2019 | Payment for goods or services not received | <p>The department made payments in 2018-19 on duplicate claims submitted by a supplier on the Kroonstad 350 housing project.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R6,6 million</p> | Remedial actions | <p>We included recommendations in the 2019-20 audit report, which the AO was required to implement by 28 July 2021. Based on the information provided by the AO and the follow-up work we performed, we concluded that the recommendations were not implemented adequately.</p> <p>The AG notified the AO of remedial actions to address the MI, which should have been implemented by 28 February 2022:</p> <p>The AO failed to adequately implement or make satisfactory progress with the implementation of the remedial action. We notified the executive authority to intervene by ensuring the AO adequately implements or makes satisfactory progress with the implementation of the remedial action by 20 August 2022 through:</p> <ul style="list-style-type: none"> • finalising the investigation into the non-compliance • commencing with the disciplinary actions against responsible official(s) without undue delay |

| No. | Notified | Type | MI description | Status | Status description |
|-----|-----------------|--|---|----------|---|
| | | | | | <ul style="list-style-type: none"> providing evidence of the progress with the recovery of the financial loss through the Office of the State Attorney <p>A new AO was appointed from 1 August 2022 and responded to the remedial action.</p> <p>We are currently assessing the response of the AO to determine if the remedial actions were adequately implemented.</p> |
| 23. | 15 October 2021 | Payment made was not in line with contract | <p>The department paid a supplier during August 2020 for standing time during the covid-19 lockdown period, even though it had no contractual obligation to make such payments. The contractor was appointed to develop community residential units in Thabong.</p> <p>Irregularity: Non-compliance with section 45(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Referral | The AO did not agree that there had been non-compliance relating to the payment for standing time. The matter was referred to the Hawks for investigation in August 2022. The investigation is ongoing. |

GAUTENG (9)

Education

| | | | | | |
|-----|-----------------|--|---|--------------------------------|--|
| 24. | 13 October 2021 | Uneconomical procurement resulting in overpricing of goods and services procured | <p>Procurement of decontamination, fogging, disinfection and deep cleaning services of educational facilities between July 2020 and August 2020 at excessive prices.</p> <p>Irregularity: Non-compliance with section 38(1)(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> An investigation instituted by the AO, which is performed by an external firm, was scheduled to be finalised by August 2022. The investigation could not be finalised by 30 September 2022 due to outstanding procedures that needed to be completed by the investigators. The revised completion date for the investigation is 21 October 2022. The AO plans to take action against the officials found responsible based on the outcome of the investigation. |
|-----|-----------------|--|---|--------------------------------|--|

| No. | Notified | Type | MI description | Status | Status description |
|---------------|-----------------|---|--|--------------------------------|---|
| Health | | | | | |
| 25. | 24 June 2019 | Procurement non-compliance, resulting in overpricing of goods and services procured | <p>The department awarded a contract for information technology infrastructure in March 2015 without inviting competitive bids, resulting in a financial loss, as cheaper alternatives were available.</p> <p>Irregularity: Non-compliance with TR 16A6.1</p> <p>Impact: Material financial loss of R148,9 million</p> | Appropriate actions in process | <p>Actions taken:</p> <p>The AO took disciplinary actions against two out of the three implicated officials in April 2020 and June 2020, where the officials were cautioned and given verbal warnings. The third official was found not guilty in October 2021.</p> <p>Further actions planned/in process:</p> <p>As per the recommendations in the investigation report, the AO referred the matter to the National Prosecuting Authority (NPA) in July 2019 to consider whether criminal charges can be instituted against the implicated officials and referred the matter to the State Attorney on the same date, to consider possible civil claims against the implicated officials.</p> |
| 26. | 31 August 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>The department did not pay medical claims within 30 days from a court judgment in May 2018 and December 2018, which resulted in interest on the late payments.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R1,5 million</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The department embarked on a legislative drafting project during 2021 to draft the Gauteng medical litigation and mediation bill, which is still in progress. The purpose of the bill is to provide a legislative mechanism for, among others:</p> <ul style="list-style-type: none"> amending the facility admission forms to include a mandatory provision that when a serious adverse event takes place, the first option before litigation may commence should be mediation. the provision of future medical treatment and related healthcare requirements at state facilities instead of paying lump sum to plaintiffs. |
| 27. | 15 October 2021 | Uneconomical procurement, resulting in overpricing of goods and services procured | <p>Procurement of masks between April 2020 and August 2020 at prices higher than the prescribed prices by the National Treasury.</p> <p>Irregularity: Non-compliance with national treasury instruction note 5 of 2020-21</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <p>An investigation completed by the SIU in December 2021 concluded that there is possible price overcharge on the procurement of masks.</p> <p>Further actions planned/in process:</p> <p>After completion of the investigation, the SIU referred the evidence to the Competition Commission, which points to potential excessive, unfair, unreasonable and/or unjust pricing in April 2021. The investigation by the commission is still in progress.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|--------------------------|-----------------|---|--|--------------------------------|---|
| 28. | 15 October 2021 | Uneconomical procurement, resulting in overpricing of goods and services procured | <p>Procurement of sanitisers in April 2020 at prices higher than the prescribed prices by the National Treasury.</p> <p>Irregularity: Non-compliance with national treasury instruction note 8 of 2019-20</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions in process:</p> <p>An investigation that was completed by the SIU in December 2021 concluded that there is possible price overcharge on the procurement of sanitisers.</p> <p>Further actions planned/in process:</p> <p>After completion of the investigation, the SIU:</p> <ul style="list-style-type: none"> referred evidence to the NPA in July 2021 to consider whether criminal charges can be instituted against the implicated official referred evidence to the Competition Commission, which points to potential excessive, unfair, unreasonable and/or unjust pricing in April 2021. The investigation by the commission is still in progress. |
| Human Settlements | | | | | |
| 29. | 7 August 2020 | Payment for goods or services not received | <p>A payment was made to an incorrect contractor in October 2019 because effective internal controls were not in place for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R2,5 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> A criminal case was opened by the department against the contractor in November 2019, as part of the process to recover the loss. The contractor was arrested in August 2020 and released on bail in August 2020. A forfeiture application by the Asset Forfeiture Unit within the NPA was served on the contractor in March 2020 and an order was obtained in March 2020 to preserve some of the funds. Disciplinary hearings relating to the four implicated officials were concluded between August and December 2021 and sanctions were imposed. This included no implications, warning letters and, in some cases, one month's salary was docked. One official has left the department to join another public sector institution and the AO of the public sector institution where this official was eventually employed was notified to take the necessary disciplinary steps. |

| No. | Notified | Type | MI description | Status | Status description |
|-----------------------------------|-----------------|---|---|------------------------------------|--|
| | | | | | Further actions planned/in process: <ul style="list-style-type: none"> A large portion of the financial loss (R1, 9 million of R2,5 million) is in the contractor's bank account awaiting instruction from the NPA to have the money transferred to the department. A forfeiture application has also been made for a vehicle that belongs to the contractor; however, the outcome of the application is still pending. |
| 30. | 15 October 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | Interest on late settlement of court judgments between October 2016 and November 2017 Irregularity: Non-compliance with TR 8.2.3 Impact: Financial loss to be quantified by the AO | Appropriate actions in process | Actions planned/in process: An investigation was instituted into the matter and is scheduled to be finalised by December 2022. The AO plans to take action against the officials found responsible based on the outcome of the investigation. The delay in finalisation of the investigation is due to challenges with the retrieval of documents as the previously occupied building burnt down. |
| 31. | 15 October 2021 | Uneconomical expenditure due to excessive rental instead of outright purchase | The department entered into a contract for the leasing of temporary residential units in April 2016 for an excessive period instead of a cheaper option of purchasing them. Irregularity: Non-compliance with section 38(1)(b) of the PFMA | Resolved | The actions taken to resolve the MI were as follows: The AO cancelled the lease agreement in January 2022 and purchased the temporary residential units in June 2022. This decision was made to prevent further future losses. |
| Infrastructure development | | | | | |
| 32. | 22 July 2022 | Inefficient use of resources – no/limited benefit derived from money spent | The department refurbished a hospital between April 2020 and March 2021 as per the signed lease agreement. The lease agreement stated that any refurbishments done to the private hospital will be to the benefit of the lessor and no compensation would be paid to the department. The department spent money on the refurbishment of the privately owned hospital, | Follow-up or assessment in process | We are evaluating the AO's response to the notification of the MI. The process was delayed by the incomplete submission of information requested from the AO, which required further follow-up. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|--------------------|
| | | | <p>regardless of the known condition stated in the lease agreement.</p> <p>Irregularity: Non-compliance with section 38(1)(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | | |

KWAZULU-NATAL (8)

Education

| | | | | | |
|-----|-------------------|---|--|--------------------------------|---|
| 33. | 11 December 2020 | Sars late payments, resulting in interest and penalties | <p>The department paid penalties and interest relating to the late payment of employee taxes for temporary teachers. The pay-as-you-earn tax withheld from employees in 2017 was only paid over with the employee tax reconciliations for 2019-20.</p> <p>Irregularity: Non-compliance with section 2(1) of the fourth schedule of the Income Tax Act</p> <p>Impact: Material financial loss of R6,7 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The department appointed a legal tax specialist in July 2022 to further engage Sars on its behalf as the department's application for remission was disallowed with no option to object. The department had meetings with Sars officials to get a remission of the interest and penalties paid; however, this was not successful. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The AO is in the process of developing an electronic system that would assist in timeously alerting these related processes. Disciplinary actions will be taken from the 2022 tax year against any official whose action or negligence leads to fruitless and wasteful expenditure through interest and penalties. Engagements between the department and Sars are still ongoing. |
| 34. | 30 September 2021 | Payment for goods or services not received | <p>Employees who had left the employment of the department during the financial year 2020-21 were not removed from the human resources and payroll systems on time. This resulted in salary payments to persons who were no longer in the employment of the department.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO has since developed standard operating procedures, which are being implemented to avoid late termination of services of staff exiting the system. Warning letters have been issued to the officials found responsible. The AO appointed debt collectors and implemented its debt-management policy to recover these financial losses. |

| No. | Notified | Type | MI description | Status | Status description |
|---------------|------------------|---|--|-------------------------------|---|
| | | | Impact: Financial loss to be quantified by the AO | | <ul style="list-style-type: none"> District workshops have been held with staff responsible for processing staff terminations. <p>Further actions planned/in process:</p> <p>An electronic system is being procured and will be implemented in 2022 to fast-track the flow of termination documentation from places of origin (schools) to the point of processing (districts).</p> |
| Health | | | | | |
| 35. | 12 February 2021 | Uneconomical procurement, resulting in overpricing of goods and services procured | <p>In March 2020, 40 000 units of 1-litre sanitiser were procured at prices higher than those permissible at the time. The department paid R143 per litre against the set price of R110,40 per litre. The procurement at excessive prices resulted in a financial loss for the department.</p> <p>Irregularity: Non-compliance with paragraph 3.7.6(ii) of national treasury instruction note 8 of 2019-20</p> <p>Impact: Material financial loss of R1,3 million (Recovered loss to date: R500 000)</p> | Appropriate action in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The matter was investigated by the SIU and an acknowledgement of debt was signed with the service provider. R500 000 of the R1,3 million has since been recovered by the SIU from the supplier and is pending a transfer to the department. Consequence management was implemented as warning letters were issued to the responsible officials. <p>Further actions planned/in process:</p> <p>The recovery of the remainder of the amounts from the supplier by the SIU as well as the transfer of the recovered funds to the department</p> |
| 36. | 25 June 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>Contracts for radiology equipment were awarded in August 2017 to bidders who did not score the highest points in the evaluation process, resulting in higher prices being paid, as the cost of equipment from the appointed bidders was higher than that of the bidders scoring the highest points.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Material financial loss of R2,8 million</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> The AO determined that the MI resulted from the incorrect understanding and application of the PPPFA. The AO opted not recover the loss from the responsible officials because the actions were not considered unjust or malicious. The AO further improved the internal controls surrounding the awarding of contracts to multiple bidders. |

| No. | Notified | Type | MI description | Status | Status description |
|------------------------|----------------|---|--|------------------------------------|---|
| Transport | | | | | |
| 37. | 8 October 2021 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>The department awarded a tender in March 2017 for providing professional consultancy services to all area offices in the province for a period of three years. The contract was not awarded by appropriate application of the bid evaluation process and requirements.</p> <p>Irregularity: Non-compliance with paragraph 6(5) and 7(1) of the PPR</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The AO appointed a service provider to investigate the contract expenditure, with a planned completion date of August 2022. The investigation was not yet concluded by the end of August 2022. Further actions will be determined by the outcome of the investigation.</p> |
| 38. | 8 October 2021 | No benefit from cost | <p>The department paid a contractor for standing time after suspending a project that had to commence in June 2019, as the department did not have an approved environmental management plan as required at the date of commencement.</p> <p>Irregularity: Non-compliance with section 38(1)(a)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken and further actions planned/in process:</p> <ul style="list-style-type: none"> The matter is currently under investigation by the SIU. The AO will take further action pending the outcome of the investigation. The AO received the first investigation report from SIU in June 2022. The report has been forwarded to legal services of the department for legal advice on how to proceed with the SIU's recommendation. The investigation report is still with legal services. |
| Dube Trade Port | | | | | |
| 39. | 20 July 2022 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>The entity did not make VAT payments on time for the periods June 2021 and August 2021, resulting in penalties and interest being charged.</p> <p>Irregularity: Non-compliance with section 28(1)(b) of the VAT Act</p> <p>Impact: Material financial loss of R2,11 million</p> | Follow-up or assessment in process | <p>We are evaluating the AO's response to the notification of the MI.</p> <p>The process was delayed by the incomplete submission of information requested which required further follow-up.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|--|--------------|--|---|--------------------------------|---|
| Agriculture and Rural Development | | | | | |
| 40. | 26 July 2022 | Payment for goods or services not received | <p>The department paid a contractor for work not completed. The work was certified by a department employee as completed despite the contractor not having completed the work. Payments were made to the contractors between October 2016 and December 2016.</p> <p>Irregularity: Non-compliance with section treasury regulation 8.1.1</p> <p>Impact: Material financial loss of R1,27 million</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> • A forensic investigation to determine the root cause and provide recommendations of appropriate steps has been commissioned and is still in progress. • A case has been reported to the SAPS and the State Attorney has been consulted in relation to a civil claim on instruction from the AO. • Further actions will be determined by the outcome of the investigation. |

LIMPOPO (3)

| Health | | | | | |
|---------------|--------------|--|--|--------------------------------|---|
| 41. | 20 July 2020 | Inefficient use of resources – no/limited benefit derived from money spent | <p>The department made lease payments from May 2015 to February 2020 at the Pietersburg Hospital for radiology equipment that was not licensed for use due to safety concerns.</p> <p>Irregularity: Non-compliance with section 38(1)(b) of the PFMA</p> <p>Impact: Material financial loss of R3,7 million (Recovered loss to date: R3,7 million)</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> • The AO negotiated the extension of the contract with the supplier to recover the financial loss incurred. The supplier and department agreed in August 2021 to provide six pieces of equipment to the department at no cost, starting from July 2021 until June 2022. • The licensing of the equipment was relaunched with the Radiation Control Board. The equipment was relicensed by the Radiation Control Board and tested for quality control in June 2021. • The department used all six machines during the period July 2021 to June 2022 at no cost. The financial loss was recovered in full as at the end of June 2022. • The AO concluded a formal investigation into the matter during March 2021 and identified seven individuals who played a role in the MI. |

| No. | Notified | Type | MI description | Status | Status description |
|---|--------------|---|--|--------------------------------|--|
| | | | | | <p>Further actions planned/in process:</p> <p>In April 2022, letters of notice of a disciplinary hearing were issued to five officials who did not execute their duties as expected. Two of the seven charged officials' services were terminated due to resignation and retirement from the department in February 2022 and October 2021, respectively. Responses from three officials were received in April 2022. One official did not respond to the notice and another's service has been terminated through a transfer in April 2022. The disciplinary hearings were to commence in April 2022. As at the end of August 2022, the results of the disciplinary action were outstanding and not yet shared with the audit team.</p> |
| Public Works, Roads and Infrastructure | | | | | |
| 42. | 4 March 2021 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>The department awarded a three-year road maintenance contract in August 2018 to a bidder who did not score the highest points in the evaluation process. This resulted in higher prices being paid as the contract value of the appointed bidder was higher than the bid amount of the bidder who scored the highest points.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Material financial loss of R1,6 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> In June 2021, the AO requested the SIU to perform a forensic investigation through a secondment agreement into the identified MI to assist the department to investigate allegations of tender irregularities and if applicable, assist the department with the implementation of remedial action including, but not limited to the facilitation of civil, criminal and disciplinary proceedings as well as systemic recommendations. The SIU investigation was concluded in January 2022. Following the SIU report, the AO instituted internal investigation in April 2022. The investigation was concluded in June 2022. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> Based on investigation by the SIU, the disciplinary processes were instituted. These processes are underway against two implicated officials who were part of the bid adjudication committee, and the hearings were scheduled to take place in August 2022. The AO also reported the irregularity to the Hawks in June 2022. |

| No. | Notified | Type | MI description | Status | Status description |
|------------------|--------------|---|--|--------------------------------|--|
| Education | | | | | |
| 43. | 15 July 2022 | Sars late payments, resulting in interest and penalties | <p>The department failed to calculate and withhold employees' tax relating to leave gratuities paid to employees upon retirement for the period August 2009 to August 2015 tax periods. The department used the incorrect allowance code for leave gratuity payments not taxed.</p> <p>Irregularity: Non-compliance with the fourth schedule of Income Tax Act, section 2(1)</p> <p>Impact: Material financial loss of R21,8 million</p> | Appropriate actions in process | <p>Actions taken</p> <ul style="list-style-type: none"> The AO indicated that to prevent these payments from occurring again, allowance code 0168 "leave gratuity" and allowance code 0288 "service bonus – pro rata" have been deactivated to prevent departments from utilising the codes, which led to the department paying for the interests and penalties incurred due to failure to withhold tax when paying for leave gratuities. These payments are now taxed by the system as remuneration and accumulated against Sars code 3605 as per Sars guidelines. In August 2021, the AO wrote a letter to Sars to request certain information relating to employees' annual tax returns; however, Sars responded to the department and highlighted that the information cannot be provided to the department due to a secrecy letter that highlights reasons why Sars cannot provide the information to the department. <p>The matter was referred to department's legal services in June 2022 for them to advise the department on how the loss can be recovered.</p> <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> An investigation into the officials who are responsible for the financial loss still has to be initiated to understand what might have gone wrong even though the officials are no longer in the employ of the department. The department also plans to refer the matter to the State Attorney to assist with a way forward relating to the possible recovery of the loss. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|--------------------|
|-----|----------|------|----------------|--------|--------------------|

MPUMALANGA (9)

Community Safety, Security and Liaison

| | | | | | |
|-----|----------------|-------------------------------------|---|--------------------------------|---|
| 44. | 4 October 2021 | Receipts not recorded/ deposited | <p>The department did not ensure that they have an appropriate process in place to reconcile bank deposits with receipts captured on the financial system during the period 2016 to 2019. This resulted in a loss of revenue to the department because receipts from regional authorities for licences issued were not deposited into the department's bank account.</p> <p>Irregularity: Non-compliance with TR 7.2.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The investigation into this matter is currently underway by the SAPS. Once the investigation is concluded, we will evaluate further actions taken by the AO.</p> |
|-----|----------------|-------------------------------------|---|--------------------------------|---|

Education

| | | | | | |
|-----|-----------------|--|---|------------------------------------|---|
| 45. | 14 October 2021 | Payment for goods or services not received | <p>The department made overpayments during 2016 to 2019 for students studying in Russia. This was due to a lack of adequate internal control measures to ensure that overpayments are prevented or detected and corrected.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | <p>We determined that the AO is not taking appropriate action to resolve the MI. We are in the process of making a decision on further action to be taken.</p> <p>The process was delayed by the AO at first disagreeing with the MI and not providing an appropriate response to the notification. Subsequently, when a response was received, more information had to be requested from the AO.</p> |
| 46. | 8 December 2021 | Payment for goods or services not received | <p>The department made payments to service providers for the provision of food supplies at schools during April to July 2020 for more learners than enrolled at some schools.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | <p>We determined that the AO is not taking appropriate action to resolve the MI. We are in the process of making a decision on the further action to be taken.</p> <p>The process was delayed by the incomplete submission of information requested which required further follow-up.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|--|-----------------|------------------------------------|---|--------------------------------|--|
| Health | | | | | |
| 47. | 6 October 2021 | Suspected fraud, resulting in loss | <p>Fictitious payments were made for infrastructure maintenance in February 2021 for which no goods and services were received.</p> <p>Irregularity: Suspected fraud</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions planned/in-process:</p> <ul style="list-style-type: none"> The AO attempted to recall the payments but was unsuccessful. A case of fraud was registered with the SAPS in March 2021 by the AO and the investigation is still in progress. The AO will determine further actions to be taken based on the outcome of the investigation. |
| Mpumalanga Economic Growth Agency | | | | | |
| 48. | 9 December 2021 | Debt not recovered | <p>The entity failed to properly implement all key actions that are provided for in the debt-management policy for the recovery of outstanding debts, prior to raising allowances for losses/impairment of debts in the 2020-21 financial year.</p> <p>Irregularity: Non-compliance with section 51(1)(b) of the PFMA</p> <p>Impact: Material financial loss of R292,21 million</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> The AA capacitated the credit control unit through the appointment of legal interns to assist with the debt-collection process. A panel of legal practitioners and an external debt collector were appointed. Internal controls on defaulting debtors were enhanced with a specific focus on the following key aspects of the debt management policy: <ul style="list-style-type: none"> a) Establishing a credit control committee which is responsible for monitoring debt collection, monitoring challenges encountered in enforcing the provisions of the debt-management policy and making recommendations to the CFO on possible solutions to address such challenges. b) Issuing disconnecting letters to customers who are not settling their accounts. c) Issuing default letters/final letters of demand to defaulting customers. d) Implementing a process for entering into loan agreements with debtors. The improved controls are in the process of being applied on all debtors. |

| No. | Notified | Type | MI description | Status | Status description |
|---------------------|------------------|--|---|------------------------------------|---|
| 49. | 9 December 2021 | Payment for goods or services not received | <p>The public entity paid a service provider for management fees for the implementation of the Government Nutrition Programme without services having been rendered.</p> <p>Irregularity: Non-compliance with section 57(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Follow-up or assessment in process | <p>We determined that the AA is not taking appropriate action to resolve the MI. We are in the process of making a decision on the further action to be taken.</p> <p>The process was delayed by the incomplete submission of information requested which required further follow-up.</p> |
| 50. | 12 August 2022 | Inefficient use of resources – no/limited benefit derived from money spent | <p>During August 2018, the entity failed to implement a system that ensures effective, efficient, economical and transparent use of the entity's resources, as it incurred standing time-related costs that originated from failing to make payments to the contractor timeously due to poor budgeting practices.</p> <p>Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Follow-up or assessment in process | We are evaluating the AA's response to the notification of the MI. |
| Public Works | | | | | |
| 51. | 17 November 2021 | Payment for goods or services not received | <p>The department overpaid a service provider for the rehabilitation of 11,8 km of road D3930 from Acornhoek and Hluvukani in the Bojalela Region of the Mpumalanga province.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | <p>We are evaluating the AO's response to the notification of the MI.</p> <p>The process was delayed by the incomplete submission of information requested which required further follow-up.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|---|------------------|---|--|--------------------------------|--|
| Mpumalanga Regional Training Trust | | | | | |
| 52. | 15 December 2021 | Uneconomical procurement, resulting in overpricing of goods and services procured | <p>The public entity made overpayments to various service providers in the procurement of covid-19-related supplies from May 2020 to July 2020</p> <p>Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> The AA intends to appoint an external service provider to investigate the matter, with the intention of concluding the investigation by November 2022. The process was delayed by the incomplete submission of information requested, which required further follow-up until July 2022. The AA intends taking further action based on the outcome of the investigation. |

NORTH WEST (29)

| Community Safety and Transport Management | | | | | |
|--|--------------|--|---|--------------------------------|---|
| 53. | 15 July 2019 | Procurement non-compliance, resulting in supplier not delivering on contract | <p>Through participating in a contract of the Free State Department of Police, Roads and Transport, a R35 million contract was awarded to a supplier for learner driver training and a capacitation programme in October 2015. The department did this without complying with the legislative requirements for such participation as it procured beyond the scope of the original contract.</p> <p>As a competitive bidding process was not followed, the ability of the supplier to deliver the services was not assessed.</p> <p>A prepayment was made to the supplier in November 2015 for which services have not been received to date.</p> <p>Irregularity: Non-compliance with TR 16A6.6</p> <p>Impact: Material financial loss of R21,3 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> A criminal case was opened with the Hawks in 2017 and the investigation was concluded. Based on the investigation report, the director of public prosecutions in North West declined criminal prosecution. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> A civil claim for the recovery of the loss was instituted against the supplier in August 2017 and summons re-issued to the supplier in October 2019. The litigation process is currently underway. The provincial treasury commissioned a further investigation in January 2022 into the irregular expenditure relating to this MI and to determine who was responsible. The investigation is still ongoing. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|--------------|---|--|--------------------------------|--|
| 54. | 15 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>The department directly paid scholar transport suppliers in 2017-18 and 2018-19 without following a procurement process. The price paid for scholar transport was significantly higher than the market price.</p> <p>Irregularity: Non-compliance with TR 16A6.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> The SIU extended the scope of an investigation into a previous scholar transport tender to include the current scholar transport matter. The investigation is still in progress. The AO plans to take further action based on the outcome of the SIU investigation once completed. During February 2022, the SIU referred the recovery of the loss to the Special Tribunal and that process is currently ongoing. A judgment was issued in the High Court in December 2019 to set aside the contract. The National Treasury instituted a forensic investigation, which was finalised in February 2020. The AO received the report in August 2020 and is in the process of implementing the recommendations as part the new tender advertised in April 2021. While the new tender is still being finalised, the department entered into a new agreement in the interim on a month-to-month basis. |
| 55. | 15 July 2019 | Payment for goods or services not received | <p>Effective internal controls were not in place for approving and processing payments to scholar transport suppliers in 2017-18 and 2018-19, resulting in some suppliers being paid for services not delivered.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken and further actions planned/in process:</p> <ul style="list-style-type: none"> The AO commissioned route verifications through the provincial internal audit unit. Because of these verifications, payments made to suppliers from October 2019 were based on actual verified kilometres. The rate per kilometre was also adjusted to the correct bus capacities. The SIU extended the scope of an investigation into a previous scholar transport tender to include the current scholar transport matter. The investigation is still in progress. The AO plans to take further action based on the outcome of the SIU investigation once completed. The National Treasury instituted a forensic investigation into this matter, which was finalised in February 2020. However, there were differences between the route verification reports done as part of the forensic investigation and those done by provincial internal audit. The SIU investigation is attending to these differences to quantify the financial loss and conclude the investigation. The AO will start the recovery process once the investigation is concluded. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|------------------|--|--|--------------------------------|--|
| 56. | 13 February 2020 | Payment for goods or services not received | <p>The department awarded a contract amounting to R407 million in March 2015 for the introduction of scheduled flights to the Mahikeng and Pilanesberg airports. The payments made in relation to this contract included flight subsidies, route-marketing services and other costs relating to the operations of these airports.</p> <p>The department had already spent R203 million on this contract in previous years; however, no effective internal controls were in place for approving and processing these payments, resulting in suppliers being paid for services not delivered.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The contract was terminated in June 2018 and no further payments were made. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> Two criminal cases were opened: one with the SAPS in 2017 and another with the Hawks in May 2020. The AO regularly follows up the status of the investigation with the Hawks and SAPS. Currently, the investigations are still in progress. The Hawks reported that four suspects were arrested in August 2022 relating to their ongoing investigation. The AO also approached the National Treasury in August 2019 to investigate the matter. As a result, the National Treasury commissioned an external forensic investigation in October 2019. This forensic investigation is still in progress. The AO's further actions in terms of disciplinary actions against the officials responsible for the loss are dependent on the finalisation of the forensic investigation by the National Treasury. The department issued notices of intention to institute civil legal proceedings to the airport management companies in February 2022. |
| 57. | 1 March 2021 | Payment made was not in line with contract | <p>The department overpaid a bus service company in 2019 and 2020 due to escalations applied that were contradictory to those specified in the contract.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <p>All claims paid from August 2020 were based on the contracted formula and therefore no further overpayments were made after this date.</p> <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The AO appointed an external investigator to investigate and quantify the overpayments. The investigation was finalised in October 2021 and the report submitted to the AO. After conclusion of the investigation, the operator, through their lawyers, declared a dispute on the amount reported as being owed and submitted a counter claim for annual adjustments that were not implemented. |

| No. | Notified | Type | MI description | Status | Status description |
|------------------|------------------|--|--|--------------------------------|--|
| | | | | | <ul style="list-style-type: none"> The AO reappointed external investigators in June 2022 to further investigate the merits of the dispute. The investigation is expected to be completed in November 2022. |
| Education | | | | | |
| 58. | 24 February 2022 | Payment for goods or services not received | <p>Appropriate internal procedures and controls were not in place to identify differences in the claims for professional services rendered during the construction of Lykso Primary School. This resulted in overpayments to the supplier during 2015 and 2016.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The department investigated the matter and the investigation was concluded in August 2022. The employees who were found to be responsible are no longer employed by the department; as a result, no disciplinary actions can be taken. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The department initiated a process of recovering the loss from the service provider, who acknowledged the debt. However, due to failure to pay back within 21 days of the letter, the department handed the matter to legal services for recovery. The matter was handed over to the State Attorney in August 2022. |
| Health | | | | | |
| 59. | 15 October 2021 | Debt not recovered | <p>The department did not apply the requirements of the revenue and debt management policy before writing off accrued revenue patient debt for the 2020-21 financial year.</p> <p>Irregularity: Non-compliance with TR11.4.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> The AO agreed that the correct process was not followed to write off the debt and management resolved to write back the patient fees. It was confirmed in the 2021-22 financial statements that the debts written off in 2020-21 has been re-instated until the correct process has been followed. |
| 60. | 18 August 2020 | Payment not made or not made in time, resulting in interest/ | The department did not honour contractual obligations on two projects (Excelsius Nursing College – phase 1 and Jouberton Community Health Centre) as they did not pay the contractors timeously, which resulted in interest being charged in June 2020. | Appropriate actions in process | <p>Actions taken:</p> <p>The investigation into the matter was finalised in November 2022. The investigation recommended that the financial loss should be recovered from the implicated officials through internal legal services.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|-----|-----------------|---|--|--------------------------------|--|
| | | standing time/ penalties | <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R5,5 million</p> | | <p>Further actions planned/in process:</p> <p>The AO is in process of taking disciplinary steps against the implicated officials and recovering the financial loss. The disciplinary hearings commenced in June 2022 and are ongoing.</p> |
| 61. | 29 August 2020 | Payment for goods or services not received | <p>The department paid a contractor appointed on the Mmabatho Nursing College – phase 1 project in advance during March 2016, which was before the related services were rendered. This prepayment was not provided for in the contract between the department and the contractor.</p> <p>Irregularity: Non-compliance with TR 15.10.1.2(c)</p> <p>Impact: Material financial loss of R12,3 million (Recovered loss before MI notification: R9,4 million)</p> | Appropriate actions in process | <p>Actions taken:</p> <p>The independent investigation into the matter was completed and it was recommended that the overpayment of R9,4 million should be recovered from the contractor and R2,9 million should be recovered from officials. The amount was recovered from the contractor by setting off against interim payments certificates.</p> <p>Further actions planned/in process:</p> <p>The AO is in the process of taking disciplinary steps against the implicated officials and recovering the financial loss with disciplinary hearings that commenced during June 2022 and are currently ongoing.</p> |
| 62. | 29 August 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>During the evaluation of bidders for a contract for the servicing, repair and maintenance of equipment for three years from August 2019 to July 2022, a supplier was incorrectly disqualified at the functionality stage. Had this bidder not been disqualified, they could have won the award, as the bid of the disqualified supplier was lower than that of the winning supplier.</p> <p>Irregularity: Non-compliance with PPR 5(7)</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An investigation was concluded in June 2021, and it was recommended that the AO seek a legal opinion prior to initiating the process to recover the loss and take action, as the implicated official had resigned. The AO referred the matter to the State Attorney in August 2021 for civil recovery from the previous employee. During July 2022, the department terminated the mandate of the State Attorney since there was no satisfactory progress on the matter. <p>Further actions planned/in process</p> <p>The department has since appointed a new service provider to take over the case from the State Attorney.</p> |
| 63. | 8 February 2021 | Inefficient use of resources – no/limited benefit derived | <p>A contract was entered into for the maintenance of medical equipment from November 2016 to October 2020 with a provision that the department had to confirm whether prices for</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> An investigation into the MI was completed in May 2021. The investigation identified the responsible official, who was already suspended, and recommended that consequence management be |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------------|--|---|--------------------------------|--|
| | | from money spent | <p>each transaction were market related. This allowed the department to engage another service provider, irrespective of the contract, if prices were not market related.</p> <p>The department did not follow this process and, therefore, did not pay the market-related cost for the service.</p> <p>Irregularity: Non-compliance with section 38(1)(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | | <p>implemented. The disciplinary case is still ongoing and charges will be added once the current disciplinary process is finalised.</p> <ul style="list-style-type: none"> In view of the seriousness of the findings, the AO handed the matter over to the Hawks in June 2021 for criminal investigation and recovery, as recommended in the investigation report. This investigation is still underway. |
| 64. | 29 August 2021 | Payment made was not in line with contract | <p>The department made two payments linked to the extension of time on the Excelsius Nursing College project in 2019-20 and 2020-21 without approval.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The investigation into the matter was finalised in July 2021 and recommended that the financial loss should be recovered from the implicated officials through internal legal services. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The AO is in process of taking disciplinary steps against the implicated officials and recovering the financial loss with disciplinary hearings that commenced during June 2022 and are currently ongoing. In July 2022, the AO gave the contractor notice of intention to recover the overpayment through a recovery statement. However, the contractor objected to the recovery. During August 2022, the department and the contractor met to try to resolve the issues, including a possible return to the site and continuation of the project but the contractor has indicated that they intended to legally challenge any such recovery. |
| 65. | 29 August 2021 | Payment made was not in line with contract | <p>The department made payments to the contractor of the Jouberton Community Health Centre project during 2019, which were above the approved extension-of-time amount, resulting in overpayments.</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The investigation into the matters was finalised in July 2021 and recommended that the overpayment should be recovered from the parties involved and disciplinary steps taken against implicated officials. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|------------------|---|--|--------------------------------|---|
| | | | <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | | <ul style="list-style-type: none"> In July 2022, the AO notified the contractor of the recovery of the overpayment from the contractor's 'preliminary and general' balance due by the department. <p>Further actions planned/in process:</p> <p>The AO is in process of taking disciplinary steps against the implicated officials. The disciplinary hearings commenced in June 2022 and are currently ongoing.</p> |
| 66. | 15 October 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>The department did not pay suppliers timeously in 2020, resulting in interest being charged.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R13,8 million</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The AO instituted a preliminary investigation and indicated that it did not identify the responsible officials and further investigation needs to be performed on the payments made to this supplier. It was anticipated that the investigation would be completed in August 2022, but due to the volume of transactions the investigation is still underway and is now expected to be finalised by the end of October 2022.</p> |
| 67. | 15 December 2021 | Under-utilisation of a material public resource | <p>The department did not ensure that the Jouberton Community Health Centre was fully utilised for its intended purpose. The project was completed in July 2019, but the first patient was only admitted to the maternity ward two years later, in May 2021.</p> <p>By August 2021, still only nine of the 18 units of the facility were fully utilised, including only three medical units for providing medical services and the others, administrative or support units, to the hospital. Key units such as the theatre, emergency room and crisis control were observed to be equipped but vacant with most equipment still packaged and unutilised.</p> <p>Irregularity: Non-compliance with TR10.1.2</p> <p>Impact: Misuse of a material public resource</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The AO indicated that 14 of the 16 units in the facility have subsequently been opened and are currently operational. The site visit in March 2022 confirmed that all units, except for the theatre and crisis centre, have subsequently been opened.</p> <p>However, the facility is not operating at full capacity mainly due to staff shortages. The department further indicated that the staff structure for the health centre had been finalised in July 2022 and the recruitment commenced in August 2022. It is expected that the vacant positions will be filled by February 2023 and the facility will be fully operational.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|---|------------------|--|--|------------------------------------|--|
| Human Settlements | | | | | |
| 68. | 12 October 2021 | Payment for goods or services not received | <p>The department did not implement appropriate internal controls, which resulted in overpayments to the supplier appointed to provide project management services during 2019 and 2020.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R3 million</p> | Appropriate actions in process | <p>Actions taken:</p> <p>An investigation into the matter was completed in July 2022. Disciplinary steps against the implicated officials were initiated in August 2022 and are currently underway.</p> <p>Further actions planned/in process:</p> <p>The AO also issued a letter of intention to recover the overpaid amounts to the supplier in July 2022.</p> |
| 69. | 24 February 2022 | Payment for goods or services not received | <p>The department did not implement appropriate internal controls, which resulted in overpayments to the contractor for a housing project in excess of the value of work certified at the date of the claims between November 2018 and March 2020.</p> <p>Irregularity: Non-compliance with TR8.1.1</p> <p>Impact: Material financial loss of R6,8 million</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> The AO initiated an investigation to review all payments made to the contractor and involved the external investigations unit situated in the Office of the Premier during August 2022 to finalise the investigation and determine who might be liable for the material irregularity. The AO also issued a letter of intention to recover the overpaid amounts to the contractor in June 2022. The overpayment is expected to be recovered from the supplier during October 2022. |
| North West Transport Investments | | | | | |
| 70. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2020 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | <p>By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|------------------------------------|----------------|--|--|------------------------------------|---|
| 71. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2021 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |
| 72. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2022 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |
| Atteridgeville Bus Services | | | | | |
| 73. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2020 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------------|--|--|------------------------------------|---|
| | | | <p>accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | | |
| 74. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2021 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |
| 75. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2022 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |

| No. | Notified | Type | MI description | Status | Status description |
|------------------------|----------------|--|--|------------------------------------|---|
| North West Star | | | | | |
| 76. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2020 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |
| 77. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2021 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity.</p> <p>Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA</p> <p>Impact: Substantial harm to public sector institution</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken. |
| 78. | 11 August 2022 | Non-submission of financial statements | <p>The financial statements for the financial year ending 31 March 2022 have not yet been submitted for auditing. The non-submission of the financial statements and the subsequent non-tabling of the annual report are likely to result in</p> | Follow-up or assessment in process | By 30 September 2022, no response has been received from the AA on the notification issued. We are in the process of making a decision on the further action to be taken |

| No. | Notified | Type | MI description | Status | Status description |
|-------------------------------|----------------|---|--|--------------------------------|---|
| | | | substantial harm to the entity, as there is a lack of accountability and transparency for the fiscal and financial affairs of the entity. Irregularity: Non-compliance with section 55(1)(c)(i) of the PFMA Impact: Substantial harm to public sector institution | | |
| Public Works and Roads | | | | | |
| 79. | 29 August 2020 | Payment not made or not made in time, resulting in interest/standing time/penalties | The department did not honour contractual obligations by paying a contractor timeously, which resulted in standing time and interest being charged on the late payments during 2019. Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R3,5 million | Appropriate action in process | Action taken: A preliminary investigation was completed in May 2021. It was found that the standing time was incorrectly paid to the contractor. Further action planned/in process: On 20 August 2021, the process to recover the retention monies from the contractor commenced. The contractor challenged the process and took legal action. The department instructed the State Attorney to defend the matter in December 2021. Litigation is still in process. |
| 80. | 26 August 2021 | Payment for goods or services not received | The department made a payment in March 2017 for various projects to fix roads and bridges in the province that were damaged by floods. The payment was made prior to any goods having been received or any services having been rendered. Irregularity: Non-compliance with TR 15.10.1.2(c) Impact: Material financial loss of R46,4 million | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The department investigated the matter, and the investigation was concluded in August 2020. The investigation confirmed that the value of services not rendered in relation to the prepayment was R46,4 million. The former head of department and director for roads has since been dismissed. Further actions planned/in process: In March 2021, the SIU initiated an investigating into the matter and the investigation is still in progress. The matter has also been handed over to the State Attorney on April 2022 for civil recovery from the supplier. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------------|---|--|--------------------------------|---|
| 81. | 26 August 2021 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>The department appointed a contractor for the patching and resealing of a road during 2019. A bid from one of the bidders was incorrectly disqualified on the basis that the bidder did not have the required CIDB grading. The winning bidder quoted the department an amount that is higher than the incorrectly disqualified supplier who would have won the bid.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions planned/in process</p> <ul style="list-style-type: none"> A service provider was appointed in July 2022 to investigate the matter and the investigation is still underway. The AO plans to take action against the officials found responsible based on the outcome of the investigation. |

NORTHERN CAPE (9)

Agriculture

| | | | | | |
|-----|------------------|--|--|--------------------------------|---|
| 82. | 28 February 2022 | Payment for goods or services not received | <p>The department made overpayments to a contractor for construction work. One transaction took place in December 2019 and two overpayments were made to the same supplier in December 2020.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Material financial loss of R1,4 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An internal investigation into the matter was instituted by the AO. The outcome of the internal investigation recommended that the matter be referred to the State Attorney for further investigation and identified that there was a deliberate override of the department's internal control systems. Based on the recommendation of the internal investigation the AO also requested the state law attorneys to assist with the investigation of the root causes of the overpayment in May 2022. The AO issued a letter to the officials in the finance unit to exercise due care when executing their duties, to ensure the accuracy of the work they perform daily. No improvement in controls was required, as no control weaknesses have been identified. In March 2022, one of the responsible officials was placed under precautionary transfer in terms of clause 7.2(a)(i) of resolution 1 of 2003 |
|-----|------------------|--|--|--------------------------------|---|

| No. | Notified | Type | MI description | Status | Status description |
|-------------------------------|-------------|--|---|------------------------------------|---|
| | | | | | <p>(disciplinary code and procedure) as mended and the transfer was informed by allegations of financial misconduct.</p> <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The AO issued a letter of demand to the supplier in October 2021 requesting the repayment of the overpaid amount in October 2021. The supplier did not respond to the letter and in December 2021, the State Attorney was requested to assist in recovering the financial loss. The department's labour unit will start with disciplinary processes based on the outcome of the investigation that will be instituted by the State Attorney, once the investigation is concluded. |
| Roads and Public Works | | | | | |
| 83. | 7 July 2022 | Payment for goods or services not received | <p>The mental health project started in August 2005 and was only completed in October 2021. Poor project management and inadequate planning of the project resulted in significant delays in completion of the project and extensive budget overruns. Since the inception of the Mental Health Project, it had two contractors. The department made an overpayment to the first contractor on site, and upon evaluation of the value of work done, it was identified that the total amount paid to the supplier was in excess of the value of work done on the project during the construction of the first contractor, August 2005 and December 2007.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Material financial loss of R24,2 million</p> | Follow-up or assessment in process | We are evaluating the AO response to the notification of the MI. There were delays because of further engagements with the AO required before a conclusion could be made on whether appropriate action is being taken. |

| No. | Notified | Type | MI description | Status | Status description |
|---------------|--------------|---|--|------------------------------------|--|
| 84. | 7 July 2022 | Uneconomical procurement resulting in overpricing of goods and services procured | <p>The department awarded a construction contract relating to Brandvlei Primary School in October 2019 to a bidder who did not score the highest points in the evaluation process. This resulted in higher prices being paid, as the contract value of the appointed bidder was higher than the bid amount of the bidder who scored the highest points.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | We are evaluating the AO's response to the notification of the MI. There were delays because further engagements with the AO were necessary before a conclusion can be made on whether appropriate action is being taken. |
| Health | | | | | |
| 85. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>The department awarded a three-year contract for medical waste collection in November 2018 to a supplier based on criteria applied in the evaluation process that were different from those in the original bidding invitation.</p> <p>The non-compliance is likely to result in a material financial loss, as the fixed monthly pricing awarded to the supplier was significantly higher than the variable costing pricing included in the original bidding invitation.</p> <p>Irregularity: Non-compliance with TR 16A3.2(a)</p> <p>Impact: Financial loss to be quantified by the AO</p> | Referral | <p>The AO did not agree that there had been non-compliance in the procurement process.</p> <p>We referred the matter to the National Treasury in October 2019 for investigation. The investigation was completed at the end of February 2022 and outcome was received in April 2022. The National Treasury concluded that further investigation of specific identified aspects will be required and referred those to the Hawks for further investigation.</p> |
| 86. | 17 July 2019 | Payment for goods or services not received | <p>The department entered into a radiology services contract from November 2013, which was subsequently extended multiple times. The contract contained a mathematical error that resulted in overpayments, due to a lack of effective internal controls for processing and</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> The AO instituted an investigation in August 2019, based on the outcome of the preliminary investigation. In March 2020, the AO was moved to another department and the new AO was granted an opportunity to familiarise himself with the MI. The lockdown measures implemented in response to covid-19 caused additional delays. The |

| No. | Notified | Type | MI description | Status | Status description |
|-----|-----------------|---|--|------------------------------------|---|
| | | | <p>approving payments. The identified overpayments related to the following periods:</p> <ul style="list-style-type: none"> • April 2014 to March 2015 (first contract extension) • October 2018 to August 2019 (no signed extension contract) <p>As part of the radiology services contract, the department made payments for mammogram services even though the hospital where the services were rendered did not have a mammogram machine. The identified overpayments related to the following periods:</p> <ul style="list-style-type: none"> • April 2014 to March 2015 (first contract extension) • October 2015 to August 2018 (third contract extension) <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R4.6 million</p> | | <p>internal investigation that was instituted by the acting AO was concluded in October 2020.</p> <p>Actions planned/in process:</p> <ul style="list-style-type: none"> • The AO referred the case to the Hawks in January 2021 for criminal prosecution and possible recovery of the loss. • In May 2021, the AO wrote to the supplier requesting a proposal for a payback plan, failing which further legal steps would be instituted. • The AO sought legal opinion from the State Attorney on the matter. The legal opinion was received on 3 March 2022, where the AO was advised on how to deal with the matter and to act urgently. • Although no actions were taken against the officials as per the internal investigations, the officials involved in the process were requested to respond to allegations of misconduct. Further action still needs to be determined by the AO. |
| 87. | 11 October 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>Payment was not made within 30 days to a service provider pertaining to laboratory services accounts, resulting in interest being charged. These late payments occurred between April 2019 to March 2021.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R4.4 million</p> | Follow-up or assessment in process | We are determining the most suitable action based on the AO's lack of response to the MI notification. The process was delayed by the incomplete submission of information requested which is required to conclude on further action. |
| 88. | 23 May 2022 | Payment not made or not made in time, resulting in | <p>The department did not pay the supplier within 30 days for the Mental Health Project, resulting in interest being charged in May 2020.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> | Follow-up or assessment in process | We are determining the most suitable action based on the AO's lack of response to the MI notification. The process was delayed by the incomplete submission of information requested which is required to conclude on further action. |

| No. | Notified | Type | MI description | Status | Status description |
|--------------------------|--------------|--|--|------------------------------------|---|
| | | interest/ standing time/ penalties | Impact: Material financial loss of R1,1 million | | |
| Human Settlements | | | | | |
| 89. | 26 July 2022 | Payment for goods or services not received | <p>The department paid for material in excess of the planned quantities for the foundation of a housing project during May 2016 and November 2018.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Material financial loss of R3,3 million</p> | Follow-up or assessment in process | We are evaluating the AO response to the notification of the MI. The process was delayed by further information and engagement required before a conclusion can be made on whether appropriate action is being taken. |
| 90. | 28 July 2022 | Payment for poor quality goods or services | <p>The department paid a contractor for poor workmanship at a housing project in January 2014 to October 2015. The department officials are required to certify the quality of goods before a payment.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | We are evaluating the AO response to the notification of the MI. The process was delayed by further information and engagement required before a conclusion can be made on whether appropriate action is being taken. |

WESTERN CAPE (1)

| Human Settlements | | | | | |
|--------------------------|------------------|-------------------------------------|--|----------|---|
| 91. | 24 November 2021 | Payment to ineligible beneficiaries | <p>During 2012 to 2021, the evaluation criteria per the housing code were incorrectly applied for the Finance Linked Individual Subsidy Paid, i.e. FLISP housing subsidy. This resulted in payment of subsidies to invalid beneficiaries or overpayment of subsidies to valid beneficiaries.</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> The AO designed and implemented a control, from 16 November 2021, in the form of the performance of an additional review by the internal control function of the department before approval of subsidies, to prevent further losses. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|---|
| | | | <p>Irregularity: Non-compliance with section 45(a) of the PFMA and part 3 of the National Housing Code of 2009</p> <p>Impact: Material financial loss of R22 million</p> | | <ul style="list-style-type: none"> • The AO concluded that the financial loss would not be recovered because it would not be viable to recover each subsidy incorrectly paid to financial institutions. • The AO concluded that no official can be held responsible as the officials followed a practice that dates back to 2012 and the decision to not include any allowances and commission as part of a subsidy applicant's income was taken in consultation with the national Department of Human Settlements. In addition, there was instability in leadership from 2012 to date; therefore, no official could be held accountable for the financial loss incurred. |

national government

SECTION

3

National government material irregularities



National government portfolios

| | | | | | |
|--|--|--|--|--|---------------------------------|
|  | Basic education |  | Environmental, forestry and fisheries |  | Minerals and energy resources |
|  | Communication |  | Finance |  | Public enterprises |
|  | Cooperative governance and traditional affairs |  | Higher education, science and technology |  | Public works and infrastructure |
|  | Defence and military veterans |  | Human settlements, water and sanitation |  | Social development |
|  | Employment and labour |  | Justice and correctional services |  | Transport |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|--------------------|
|-----|----------|------|----------------|--------|--------------------|

BASIC EDUCATION PORTFOLIO (4)

Department of Basic Education

| | | | | | |
|-----|-------------|---|--|--------------------------------|--|
| 92. | 1 July 2021 | Payment for goods or services not received | <p>Learner material was distributed to volunteer educators for learners who did not qualify to be on the Kha Ri Gude programme between 2008-09 and 2016-17, due to deficiencies in the learner registration processes.</p> <p>Irregularity: Non-compliance with section 38(1)(a)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An investigation into the matter by the departmental investigation committee was concluded during the 2016-17 financial year. The AO instituted disciplinary action against the officials responsible in October 2016 and already recovered part of the losses during the 2017-18 financial year. <p>Actions planned/in process:</p> <p>The matter was referred to the SAPS, who then referred it to the Hawks in the 2017-18 financial year to investigate and recover the remaining financial losses. The investigation is still ongoing. Additional information was requested by the investigating officer and was subsequently submitted by the department in July 2022. The matter is still with the Hawks and has not yet been finalised.</p> |
| 93. | 1 July 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>Payment was not made to a service provider within 30 days for a construction project in the Eastern Cape, resulting in interest charges being raised in March 2019 and June 2019.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R7 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An investigation into the matter by the department's investigation committee was concluded in May 2022. The investigation committee concluded that an official had contravened legislation and recommended that consequence management be instituted. <p>Further actions planned/in process</p> <ul style="list-style-type: none"> The AO committed to finalising the disciplinary process by the end of October 2022. However, there was a dispute of the investigation outcome. Due to this, the labour relations processes had to be delayed and only commenced in November 2022. Furthermore, the financial loss should be recovered from the responsible officials once the liability in law is determined. Therefore, implementation of the recommendations |

| No. | Notified | Type | MI description | Status | Status description |
|-----|---------------|---|--|--------------------------------|--|
| | | | | | and consequence management are currently in progress. The AO anticipates finalising the process by March 2023. |
| 94. | 1 July 2021 | Payment for goods or services not received | <p>Payment was made to a service provider of bulk materials in March 2017 for which the department did not receive an equivalent value of materials. The service provider acknowledged this debt in April 2021.</p> <p>Irregularity: Non-compliance with TR 15.10.1.2(c)</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The verification of the actual number of materials received and installed was finalised. The responsible official was identified but has since left the department and the AO indicated that no further action in terms of consequence management will be implemented. <p>Further actions planned/in process</p> <ul style="list-style-type: none"> The AO obtained a revised reconciliation of the unreconciled amount from the implementing agent in August 2022. The AO has since requested the implementing agent to refund the difference and related accrued interest. This process is still underway. |
| 95. | 1 August 2021 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>Payment was not made to a contractor within 30 days for a construction project in the Eastern Cape, resulting in the withdrawal of the contractor from the site and the cancellation of the contractual agreements. The contractor claimed for damages due to the cancellation of the contract and the loss of unutilised damaged material on site. Interest was also being charged on the late payments.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> On 3 August 2022, the DBE issued a letter of demand to the contractor. The AO is proceeding with legal action to recover the funds. <p>Further actions planned/in process</p> <ul style="list-style-type: none"> The AO has commenced with the disciplinary processes of the affected officials, and the matter is currently with the labour relations functions. The AO had committed to finalise the disciplinary process by 31 October 2022. However, the labour relations processes had to be delayed and only commenced in November because the disciplinary panel was appointed late. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|--------------------|
|-----|----------|------|----------------|--------|--------------------|

COMMUNICATIONS PORTFOLIO (9)

South African Broadcasting Corporation

| | | | | | |
|-----|-------------|---|--|--------------------------------|--|
| 96. | 7 July 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>A contract for security services was awarded in August 2017 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Material financial loss of R2,3 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An investigation by the SIU was concluded in June 2019 with the following outcomes: <ul style="list-style-type: none"> The award was found to be irregular Disciplinary actions to be taken against the responsible official Legal action to be taken to have the contract reviewed and set aside The official found to have been responsible by the SIU investigation resigned before actions could be taken. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The SIU and SABC are taking legal action to have the contract reviewed and set aside. The court matter was heard in May 2022 and the judgment has been reserved up to date. The recovery of the financial loss will be dependent on the outcome of the court case. |
| 97. | 3 June 2022 | Inefficient use of resources – no/limited benefit derived from money spent | <p>The public entity made lease payments from November 2016 to October 2021 for rental of office space, a portion of which was incomplete and not ready for occupation. As a result, the public entity also paid for unoccupied office buildings. The unoccupied office space was separately shown in the lease agreement.</p> <p>Irregularity: Non-compliance with section 57(b) of the PFMA</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The lease agreement formed part of a proclamation for investigation by the SIU. In March 2020, the SIU as the first applicant and the SABC as the second applicant approached the Special Tribunal to have the lease agreement declared invalid and unlawful. The court proceedings are still ongoing The contract came to an end and a new tender process was followed where the additional space was excluded from the rental agreement. |

| No. | Notified | Type | MI description | Status | Status description |
|---|------------------|--|--|------------------------------------|---|
| | | | Impact: Material financial loss of R12,3 million | | Further action planned: The AA intends to recover all monies paid, including the interest from the supplier for the unoccupied space after conclusion of the legal proceedings. |
| South African Post Office (SAPO) | | | | | |
| 98. | 12 November 2020 | Inefficient use of resources – no/limited benefit derived from money spent | Sapo was awarded the contract for the administration and processing of the payment of South African Social Security Agency (Sassa) grants through its then Postbank division in August 2018. They were required to procure and implement an integrated grants payment system for this purpose. The system was not properly implemented and secured on inception, resulting in fraudulent transactions taking place throughout the lifespan of the contract that was cancelled August 2022. Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA Impact: Material financial loss of R158 million | Referral | The process was delayed as the AA responded to the MI notification in February 2021. The AA disagreed with the MI as there were disagreements between Sapo and SA Postbank with regard to the ownership of the system. To resolve the dispute, in January 2021, Sapo ceded all its rights and obligations regarding the system contract to SA Postbank and the ceding was applied retrospectively from April 2019, which was the date that SA Postbank started trading as a separate legal entity from Sapo. Additional information was requested from Sapo in June 2021. The AA responded in July 2021 reiterating that Sapo is not responsible for the system. The matter was referred to the Hawks for investigation on 15 November 2021. The investigation is ongoing and the AGSA continues to receive regular progress feedback on the investigation, which was still in progress at the date of this report. |
| 99. | 17 June 2022 | Sars late payments, resulting in interest and penalties | The amounts deducted and withheld for employees' pay-as-you-earn tax for March 2022 were not paid to Sars on time, resulting in penalties being charged by Sars. Irregularity: Non-compliance with section 89bis of the Income Tax Act Impact: Material financial loss of R51,3 million | Follow-up or assessment in process | The responses to the MI were received July 2022, the AA stated the reason why the amounts were not paid on time was financial hardships the Post Office has been experiencing and was not due to management or failure of staff not honouring its fiduciary duties. The AA also indicated that the prospect of Sars writing off such debts is very high; however, there was no evidence to substantiate AA's assertion. We determined that the AA is not taking appropriate action to resolve the MI. We are in the process of making a decision on further actions to be taken. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|-----------------|------------------|---|--|------------------------------------|--|
| 100. | 17 June 2022 | Sars late payments, resulting in interest and penalties | The amounts deducted and withheld for employees' pay-as-you-earn tax from April 2020 to March 2021 were not paid to Sars on time, resulting in interest being charged by Sars. Irregularity: Non-compliance with fourth schedule of Income Tax Act, section 2(1) Impact: Material financial loss of R19,1 million | Follow-up or assessment in process | We determined that the AA is not taking appropriation to resolve the MI. We are in the process of making a decision on further actions to be taken. |
| 101. | 17 June 2022 | Sars late payments, resulting in interest and penalties | Value-added tax was not paid to Sars on time for the period June 2020 to March 2021 and June 2021 to March 2022, resulting in penalties and interests being charged by Sars. Irregularity: Non-compliance with Value Added Tax Act, section 28(1) Impact: Material financial loss of R57,4 million | Follow-up or assessment in process | We determined that the AA is not taking appropriate action to resolve the MI. We are in the process of making a decision on further actions to be taken. |
| 102. | 30 June 2022 | Procurement non-compliance, resulting in overpricing of procured goods and services | A contract for security services (multiple cashback sale) was awarded in December 2019 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid. Irregularity: Non-compliance with section 2(1)(f) of the PPPFA Impact: Financial loss to be quantified by the AA | Follow-up or assessment in process | The responses to the MI were received July 2022, the AA indicated internal processes have commenced to try to cancel the contract; however, there is no evidence of an agreement on cancellation from both parties. We determined that the AA is not taking appropriation to resolve the MI. We are in the process of making a decision on further actions to be taken. |
| Postbank | | | | | |
| 103. | 15 February 2022 | No benefit from cost | Sapo was awarded the contract for the administration and processing of the payment of Sassa grants through its then Postbank division in August 2018. Upon the division of Sapo and Postbank in April 2019, Postbank failed to | Follow-up or assessment in process | We determined that the AA is not taking appropriation to resolve the MI. We are in the process of making a decision on further actions to be taken. |

| No. | Notified | Type | MI description | Status | Status description |
|------|------------------|----------------------|---|------------------------------------|---|
| | | | <p>implement effective controls on the card management and Sassa beneficiary payment system. This resulted in cards being susceptible to fraud or used to perpetrate fraud.</p> <p>Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA</p> <p>Impact: Material financial loss of R13,6 million</p> | | |
| 104. | 15 February 2022 | No benefit from cost | <p>Sapo was awarded the contract for the administration and processing of the payment of Sassa grants through its then Postbank division in August 2018. Upon the division of Sapo and Postbank in April 2019, Postbank failed to implement appropriate internal controls to safeguard cards, resulting in write-offs of cards in the year ended 2019.</p> <p>Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA</p> <p>Impact: Material financial loss of R68,8 million</p> | Follow-up or assessment in process | We determined that the AA is not taking appropriation to resolve the MI. We are in the process of making a decision on further actions to be taken. |
| No. | Notified | Type | MI description | Status | Status description |

COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS PORTFOLIO (5)

Department of Cooperative Governance

| | | | | | |
|------|----------------|--|--|----------|---|
| 105. | 13 August 2019 | Payment for goods or services not received | <p>Payments were made in the 2018-19 financial year to non-qualifying government employees as part of the Community Work Programme (CWP) due to ineffective internal controls for approving and processing payments.</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> The AO conducted an investigation into the matter, which was concluded in October 2020. The investigation confirmed the non-compliance, and six officials (three at senior and three at middle |
|------|----------------|--|--|----------|---|

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|---|
| | | | <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R5,6 million</p> | | <p>management) were found to be responsible for the breakdown in controls.</p> <ul style="list-style-type: none"> • Disciplinary actions were taken against six officials, resulting in the acquittal of two middle management officials, final written warnings given to one middle management official and early retirement of one senior management official. Two senior management officials are still on suspension since November 2021, pending the conclusion of the disciplinary proceedings. The sittings have been completed and the department is awaiting the report from the chairperson on the verdict which is due in October 2022. • The AO requested the Hawks in August 2021 to further investigate the CWP. The Hawks have completed the task of sourcing affidavits from various sources and provided feedback to the department. • The financial loss is in the process of recovery in the first quarter of the 2021-22 financial year. The department contacted the affected departments to assist with the recovery from the state officials and 24 out of the 62 departments responded and confirmed that the amount of R0,9 million relates to valid exceptions to date. An amount of R12 090 has been recovered and paid over to the department. The department is following up with all the affected departments (including those that have not responded) on a quarterly basis to confirm and recover the financial loss. • Controls were put in place to compare the batch payments to the Persal database monthly. Through this comparison, non-qualifying claims can be identified and payments prevented. Furthermore, the implementing agents have also been instructed to check each new registered participant against the Persal database to identify government employees (if any) and prevent future payments to such participants. |

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|--|---|--------------------------------|--|
| 106. | 24 July 2019 | Payment for goods or services not received | <p>An incorrect grant payment was made to a supplier in July and August 2018 due to ineffective internal controls for approving and processing payments. The department was unable to recover all the money from the supplier.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R103 million (Recovered loss before MI notification: R4,8 million)</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO had tasked the internal audit unit with conducting an investigation to identify responsible officials in order to initiate consequence management. The investigation was completed during the 2020-21 financial year. Disciplinary action taken against the six officials who were involved in the transactions as follows: <ul style="list-style-type: none"> Two officials (level 5) were given six months' final warning and two months' suspension without pay. Two officials (level 8 and level 11) were dismissed. One senior management service (SMS) member resigned before the disciplinary hearing was held A disciplinary hearing of one SMS member found the employee not guilty of misconduct. The State Attorney took the incorrectly paid supplier to court to recover the financial loss in the 2019-20 financial year and R4,8 million has already been recovered from the service provider. The client has subsequently improved the controls around transfers of funds to municipalities since there has not been any similar issues noted. <p>Further actions planned/in process:</p> <p>The department is in the process of recovering the remaining financial loss of R98,2 million through the State Attorney.</p> |
| 107. | 13 August 2019 | Payment for goods or services not received | <p>Payments were made in advance to implementing agents on the CWP in the 2018-19 financial year without evidence of goods and services having been received due to ineffective internal controls for approving and processing payments.</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO conducted an investigation into the matter, which was concluded in October 2020. It confirmed the non-compliance, and six officials (three senior and three middle management members) were found to be responsible for the breakdown in controls. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|--|
| | | | <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | | <ul style="list-style-type: none"> Disciplinary actions were taken against six officials, resulting in the acquittal of two middle management officials, final written warning given to one middle management official and early retirement of one senior management official. There was an improvement in internal controls around payments where the implementing agents were requested to submit all supporting documents before the department could process further payments. The interventions resulted in the prepayment (likely financial loss) reducing from over R200 million in the second year of the contract to R18 million in the 2021-22 financial year. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> Two senior officials are still on suspension since November 2021, pending the conclusion of the disciplinary proceedings. The sittings have been completed and the department is awaiting the report from the chairperson on the verdict, which is due in October 2022. The AO requested the Hawks in August 2021 to further investigate the CWP. The Hawks have completed the task of sourcing affidavits from various sources and provided feedback to the department. The remaining unresolved balance of R18 million is still in progress due to the reconciliation of the fixed asset register relating to the CWP assets procured by the implementing agents on behalf of the department. The closeout processes are expected to be concluded by March 2023. Once the closeout processes have been finalised, the final remaining balance (if any) will be deducted from the retention fees. Three implementing agents' contracts were terminated and two of the three owing money to the department are involved in a litigation process on the recovery of the amount paid to them as prepayment. The State Attorney appointed the firm of private attorneys to assist with the litigation and the department briefed the firm in June 2022. The process is in arbitration for one implementing agent; however, the firm has been experiencing difficulties in locating the second implementing agent. |

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|--|--|--------------------------------|---|
| 108. | 13 August 2019 | Payment for goods or services not received | <p>Payments were made in the 2018-19 financial year to deceased participants in the CWP due to ineffective internal controls for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R2,9 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO conducted an investigation into the matter, which was concluded in October 2020. The investigation confirmed the non-compliance, and six officials (three senior and three middle management) were found to be responsible for the breakdown in controls. Disciplinary actions were taken against six officials, resulting in the acquittal of two middle management officials, final written warning given to one middle management official and early retirement of one senior official. Deceased participants and participants with incorrect ID numbers were removed from the Community Work Programme Management Information System or recaptured with the correct ID numbers. The financial losses relating to deceased participants have been quantified (R2,9 million) and to date, five out of eight implementing agents have signed the notification of debt in terms of the payments to deceased participants. Control improvement has been noted in that deceased participants paid in the current year have reduced from 154 instances in the 2018-19 financial year to 93; and there are no more hits in the data that related to participants being paid who have been deceased for more than a year. This is due to the controls improved to run the home affairs database against the payment batches monthly. The department has also improved the controls by consistently identifying similar instances of payments to deceased participants and deducting any payments made to such participants from the amounts due to implementing agents under a new contract when each patch payment is processed. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|--|---|--------------------------------|--|
| | | | | | <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> Two senior officials are still on suspension since November 2021, pending the conclusion of the disciplinary proceedings. The sittings have been completed and the department is awaiting the report from the chairperson on the verdict, which was due in October 2022. The AO requested the Hawks in August 2021 to further investigate the CWP. The Hawks have completed the task of sourcing affidavits from various sources and provided feedback to the department. The financial losses relating to deceased participants have been quantified (R2,9 million) and were in the process of being recovered from the implementing agents. To date, five out of eight implementing agents have signed the notification of debt worth R0,7 million made in terms of the payments to deceased participants and the amounts will be recovered upon the conclusion of the closeout/reconciliation process that is currently underway. |
| 109. | 26 August 2019 | Payment for goods or services not received | <p>Project management fees were paid to implementing agents of the Contract Work Programme whose contract started in April 2018 to March 2021, without evidence of goods and services having been received due to ineffective internal controls for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by the AO</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO conducted an investigation into the matter, which was concluded in October 2020. The investigation confirmed the non-compliance, and six officials (three senior and three middle management) were found to be responsible for the breakdown in controls. Disciplinary actions were taken against six officials, resulting in the acquittal of two middle management officials, final written warning given to one middle management official and early retirement of one senior official. There has been an improvement in the control environment, as the new contract entered with the implementing agents makes specific reference to the project management fees that can be claimed and |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|--|
| | | | | | <p>the fact that it must be substantiated by physical invoice for the goods and services procured.</p> <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> Two senior officials are still on suspension since November 2021, pending the conclusion of the disciplinary proceedings. The sittings have been completed and the department is awaiting the report from the chairperson on the verdict, which was due in October 2022. The AO requested the Hawks in August 2021 to further investigate the CWP. The Hawks have completed the task of sourcing affidavits from various sources and provided feedback to the department. The contract with the implementing agents has ended and the closeout process is still in progress due to the extension granted to the implementing agents to reconcile all the outstanding invoices until 31 March 2023. In addition, the department is still in the process of reconciling the fixed asset register relating to the CWP assets procured by the implementing agents on behalf of the department. The closeout processes are expected to be concluded by March 2023. The closeout of the retention fees can only be settled to the implementing agents once the CWP asset register has been handed over. After the closeout/reconciliation process, all cleared implementing agent invoices over the contract period will be utilised to calculate the actual project management fees that should have been paid to the implementing agent as the prepayment has been sufficiently cleared with supporting evidence. This will assist in determining if the likely financial loss still exists. |

| No. | Notified | Type | MI description | Status | Status description |
|--|--------------|---|---|------------------|---|
| DEFENCE AND MILITARY VETERANS PORTFOLIO (5) | | | | | |
| Department of Defence | | | | | |
| 110. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>In February 2017, the department awarded a contract for inventory and asset management for a period of five years. The department did not award the entire contract to only the bidder who scored the highest points in the evaluation process.</p> <p>The contract was awarded to two bidders on a 50/50 basis at an increased price for the same scope of work.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Remedial actions | <p>The AO failed to make adequate progress with implementing the recommendations we included in the department's 2019-20 audit report.</p> <p>On 18 August 2021, the AG issued a directive to the AO to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person(s) by 18 November 2021. In addition, she notified the AO of the following remedial actions to address the MI, which should be implemented by the same date:</p> <ul style="list-style-type: none"> • Effective and appropriate disciplinary steps must be taken against any civilian official found to be responsible by the investigation, and appropriate action must be taken to determine whether any such person is liable for the losses suffered by the department for the purpose of recovery. • Steps must be taken to ensure that the chief of the South African National Defence Force (SANDF) takes the same actions against any military command officials found to be responsible by the investigation. If the required action is not taken, the AO must promptly notify the executive authority of such failure. <p>The financial loss was prevented as the department spent a lesser amount than the initial contracted value.</p> <p>The AO and the chief of the SANDF did not implement the remedial actions for consequence management of both civilian and military command officials.</p> <p>We are in the process of making a decision on the further action to be taken.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|---|--|-----------------|---|
| 111. | 11 August 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>In July 2019, the department awarded a contract for the supply and delivery of fuel to a supplier using evaluation criteria that differed from those stipulated in the original request for quotations. The mode of transport was also changed after the award, which resulted in a further price increase.</p> <p>Irregularity: Non-compliance with TR 16A.3.2(a)</p> <p>Impact: Material financial loss of R2,6 million</p> | Referral | <p>In November 2020, the AO completed an investigation and disagreed that there was non-compliance with legislation in awarding this contract.</p> <p>The MI was referred to the Hawks on 15 November 2021. The referral was accepted by the Hawks on 6 December 2021 and the investigation is still in progress.</p> |
| 112. | 11 August 2020 | Inefficient use of resources – no/limited benefit derived from money spent | <p>The department made lease payments from 2015-16 to 2019-20 for unoccupied office buildings.</p> <p>Irregularity: Non-compliance with section 45(b) of the PFMA</p> <p>Impact: Material financial loss of R108,3 million</p> | Recommendations | <p>The AO did not take appropriate action to resolve the MI. We included the following recommendations in the 2020-21 audit report for implementation by 11 November 2021:</p> <ul style="list-style-type: none"> • The financial loss should be quantified and the officials responsible for the financial loss identified, in accordance with the applicable National Treasury Instruction Notes dealing with fruitless and wasteful expenditure. • Effective and appropriate disciplinary steps should commence against any civilian official that the investigation finds to be responsible. • Effective and appropriate disciplinary steps should commence against any military command official that the investigation finds to be responsible. • Appropriate action should be taken to determine whether the responsible official(s) is/are liable by law for the losses suffered by the department for the purpose of recovery. <p>The department convened a second board of inquiry (BOI) into the circumstances that led to the MI during December 2021. In its conclusion, the BOI acknowledged the financial loss but did not find anyone liable for the loss. We assessed the outcome of the BOI and concluded that its conclusion was not appropriate and that appropriate action was not taken to implement the recommendations.</p> <p>We are in the process of deciding on the further action to be taken.</p> |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|---|--|------------------------------------|---|
| 113. | 15 July 2021 | Uneconomical procurement, resulting in overpricing of goods and services procured | The department procured 1 000 infrared thermometers in April 2020 at prices higher than those recommended by the National Treasury. Irregularity: Non-compliance with national treasury instruction note 8 of 2019-20 (annexure A, table 2) Impact: Financial loss to be quantified by the AO | Follow-up or assessment in process | A BOI was convened in August 2021 to investigate the MI. The BOI had to be reconvened due to the shortcomings identified regarding the first inquiry. As at the date of the audit report, a new BOI had not been convened. We concluded that appropriate action is not being taken to address the MI. We are in the process of making a decision on the further action to be taken. |
| 114. | 13 August 2021 | Inefficient use of resources – no/limited benefit derived from money spent | Between April 2020 and August 2020, the department imported vials of the unregistered drug Heberon from a foreign supplier without approval from Sahpra. Irregularity: Non-compliance with regulation 6.2 of the General Regulations (R859 of 2017) issued under the Medicines and Controlled Substances Act Impact: Financial loss to be quantified by the AO | Follow-up or assessment in process | At the instruction of Sahpra dated 3 November 2021, the department repatriated all the drugs to the foreign supplier between January and February 2022. The AO did not provide any further feedback on actions taken to resolve the MI, including the R33,5 million paid. We therefore concluded that the actions taken were not adequate to fully address the MI. We are in the process of making a decision on the further action to be taken. |

EMPLOYMENT AND LABOUR PORTFOLIO (2)

Compensation Fund (CF)

| | | | | | |
|------|--------------|--|---|----------|---|
| 115. | 21 July 2021 | Payment for goods or services not received | An overpayment was made to a medical service provider between August 2014 and April 2017 due to a lack of effective internal controls around approving and processing payments to medical service providers. An arrangement was made with the service provider to repay the amount, but they did not honour the agreement in full. | Resolved | The actions taken to resolve the MI were as follows: <ul style="list-style-type: none"> The entire balance of the financial loss was recovered by the AA. The AA made an effort to take disciplinary action against the officials who approved the overpayment. The CF could not proceed with the disciplinary action against the official because all those officials have since left the CF or are deceased. |
|------|--------------|--|---|----------|---|

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|--|---|--------------------------------|---|
| | | | <p>Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA</p> <p>Impact: Financial loss of R12,8 million (financial loss recovery through process in place before MI notification issued: R12,8 million)</p> | | <ul style="list-style-type: none"> The CF changed the claim system that resulted in the overpayment due to a lack of application control, e.g. by preventing the duplicate payment from being processed in the system. <p>The CF trained the official on how to input and handle claims in the new system.</p> |
| 116. | 10 August 2021 | Payment not made or not made in time resulting in interest/standing time/penalties | <p>The CF failed to pay medical invoices within 75 days as ordered by the court, resulting in interest being charged.</p> <p>Irregularity: Non-compliance with section 51(a)(i) of the PFMA</p> <p>Impact: Material financial loss to be quantified by the AA</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <p>The CF approached the court regarding the legality of the interest charged on the outstanding invoices. The Pretoria High Court ruled in the CF's favour by declaring the agreement invalid. The supplier has since appealed the decision of the High Court. Currently, the matter is with the Supreme Court of Appeals.</p> |

ENVIRONMENTAL, FORESTRY AND FISHERIES PORTFOLIO (1)

Komatiland Forests

| | | | | | |
|------|----------------|--|--|---------------------------------|--|
| 117. | 18 August 2021 | Non-compliance, resulting in penalties | <p>The provisions of the Income Tax Act were incorrectly applied in the calculation of the basic amount for the 2018 assessment year. This resulted in Sars levying penalties, as the provisional tax payable was incorrect.</p> <p>Irregularity: Non-compliance with section 19(1)(c) and (d)(ii) the fourth schedule of Income Tax Act,</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate actions in progress | <p>Actions taken:</p> <p>The AA conducted an investigation, which was concluded in July 2022.</p> <p>Further actions planned/in process:</p> <p>We are currently engaging the AA on further actions they intend to take based on outcomes of the investigation report.</p> |
|------|----------------|--|--|---------------------------------|--|

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|--------------------|
|-----|----------|------|----------------|--------|--------------------|

FINANCE PORTFOLIO (1)

National Treasury

| | | | | | |
|------|-------------|---|---|----------|---|
| 118. | 13 May 2021 | Inefficient use of resources – no/ limited benefit derived from money spent | <p>Payments were made since the 2016-17 financial year for software licences and annual technical support and maintenance, which related to the Integrated Financial Management System (IFMS), which is not operational. Care was not taken to ensure that the expenditure incurred was aligned to the implemented IFMS project.</p> <p>Irregularity: Non-compliance with section 38(1)(b) of the PFMA</p> <p>Impact: Material financial loss of R400 million</p> | Referral | The AO disagreed that there was fruitless and wasteful expenditure and stated that no long-term financial loss has been suffered by the government. The AG approved the referral of the MI to the SIU for further investigation. The matter was handed over to the SIU in January 2022, forming part of the scope for a proclamation that had already been issued by the president. The investigation commenced in December 2020 and the SIU is planning to finalise it by December 2022. |
|------|-------------|---|---|----------|---|

HIGHER EDUCATION, SCIENCE AND TECHNOLOGY PORTFOLIO (8)

Eastcape Midlands TVET College

| | | | | | |
|------|----------------|------------------------------------|---|--------------------------------|---|
| 119. | 12 August 2022 | Suspected fraud, resulting in loss | <p>Payments were made to incorrect supplier bank accounts between January 2017 and March 2022. The employee misrepresented by including an invoice in two different payment batches, resulting in the invoice being paid twice. Upon further investigation, it was also found that the invoice was "split" into two payments with one part paid to the supplier and the balance paid into the bank account of the employee.</p> <p>Irregularity: Suspected fraud</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AA investigated the suspected fraud during March 2022 which established the root cause for the transgression, identified the official responsible and quantified the possible financial loss suffered. Based on the outcomes of the investigation, the disciplinary hearing was held, the implicated employee dismissed and the matter reported to the SAPS. <p>Further actions in process</p> <ul style="list-style-type: none"> The AA appointed an independent firm to conduct a forensic investigation in June 2022 to determine the extent of the losses and the investigation is in progress. The process of recovering the loss from the |
|------|----------------|------------------------------------|---|--------------------------------|---|

| No. | Notified | Type | MI description | Status | Status description |
|---|----------------|--|--|--------------------------------|---|
| | | | Impact: Financial loss to be quantified by the AO | | <p>implicated official by the asset forfeiture unit under the Hawks is underway.</p> <ul style="list-style-type: none"> Internal controls have been strengthened to prevent reoccurrence. |
| National Skills Fund (NSF) | | | | | |
| 120. | 6 August 2021 | Payment for goods or services not received | <p>The public entity entered into a project funding agreement with a skills development service provider from July 2017 to June 2018 for a learnership programme. The objective of the project was to benefit 1 000 learners by enrolling them for a Security Officer Learnership Programme (NQF level 3).</p> <p>The NSF approved and paid for three credits that were already included in the original modules as additional modules, which resulted in additional costs with no additional benefit. The non-compliance is likely to result in a material financial loss if it is not recovered from the supplier.</p> <p>Irregularity: Non-compliance with section 57(b) of the PFMA</p> <p>Impact: Material financial loss of R3,2 million</p> | Recommendations | <p>The AA failed to implement the planned actions to resolve the MI.</p> <p>We notified the AA of the following recommendations, which should be implemented by 2 December 2022:</p> <ul style="list-style-type: none"> Appropriate action should be taken to finalise the investigation into the non-compliance with section 57(b) of the PFMA to determine the circumstances that led to the non-compliance for the purpose of taking appropriate corrective actions and to address control weaknesses. The financial loss relating to the duplicated modules should be quantified. Appropriate action should commence to recover the financial loss. The recovery process should not be unduly delayed. <p>Effective and appropriate disciplinary steps should be initiated, without undue delay, against any official whom the investigation found to be responsible, as required by section 51(1)(e) of the PFMA.</p> |
| State information Technology Agency (Sita) | | | | | |
| 121. | 16 August 2021 | Inefficient use of resources – no/limited benefit derived from money spent | <p>Sita overpaid a service provider for software asset management services rendered to Sita clients. In terms of the memorandum of agreement signed in November 2017, Sita had to pay the service provider for service fees set out per the agreement for software licences. Sita paid the</p> | Appropriate actions in process | <p>Actions planned/in process</p> <ul style="list-style-type: none"> The AA opted to follow an arbitration process with the supplier to recover the funds. The arbitration process commenced in April of 2022 and is currently in progress. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|---|----------------|--|--|------------------------------------|--|
| | | | <p>service provider for 31 898 licences in excess of the 2 500 licences deployed by Sita and its clients.</p> <p>Irregularity: Non-compliance with section 57(b) of the PFMA</p> <p>Impact: Material financial loss to be quantified by the AA</p> | | <ul style="list-style-type: none"> The AA concluded that consequence management proceedings will only commence once the arbitration has been finalised. |
| 122. | 16 August 2021 | Payment for goods or services not received | <p>In March 2019, Sita entered into a contract with a service provider to assist with a stakeholder engagement event. An advance payment was subsequently made in April 2019. Both the contract and the payment were done without the appropriate approval. The contract further indicated the amount to be paid as a donation and no services were received for the money spent.</p> <p>Irregularity: Non-compliance with section 57(a) of the PFMA</p> <p>Impact: Material financial loss to be quantified by the AA</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An internal forensic investigation was concluded in August 2020, which determined that the supplier was liable for the costs incurred and the responsible official was identified. The entity did not take effective steps to timeously implement the recommendations included in the investigation report, prior to notification of the MI. The AA has taken disciplinary actions against the official identified. A disciplinary hearing was held during October 2021 and concluded in November 2021, which recommended that the employee should be dismissed with immediate effect. Subsequently, the employee was dismissed accordingly. The entity has since included additional controls in their payment processes. All business units have to provide proof that the required services occurred/goods were received along with the invoice before a payment can be made. <p>Further actions planned/in process:</p> <p>A court application was lodged in March 2022 in the North Gauteng high Court to recover the funds from the suppliers and the matter is still ongoing.</p> |
| Human Sciences Research Council (HSRC) | | | | | |
| 123. | 3 June 2022 | No benefit from cost | The HSRC payroll system was not updated to reflect the changes in the tax treatment, which resulted in the HSRC failing to deduct or withhold | Follow-up or assessment in process | <p>We are evaluating the AA's response to the notification of the MI.</p> <p>The process was delayed by the council, at first disagreeing with the MI and not providing an appropriate response to the notification. After</p> |

| No. | Notified | Type | MI description | Status | Status description |
|--|-----------------|--|---|-----------------|---|
| | | | <p>appropriate taxes from employees for purposes of paying such taxes over to Sars. This resulted in the HSRC underpaying the tax due to Sars between the 2015-16 and 2020-21 financial years.</p> <p>Irregularity: Non-compliance with section 57(a) of the PFMA</p> <p>Impact: Material financial loss to be quantified by AA</p> | | 30 September 2022 (the cut-off date for this report) the AA undertook to address the MI. |
| National Student Financial Aid Scheme (NSFAS) | | | | | |
| 124. | 15 October 2020 | Payment made was not in line with contract | <p>The NSFAS disbursed tuition fees and allowances to students from 2017-18 of more than the maximum amounts stipulated in the written agreements with the students, as a result of ineffective controls. In some cases, the amounts in the agreements were incorrect, while in other cases, the disbursed amounts were more than the total cost of study for the students.</p> <p>The non-compliance is likely to result in a material financial loss if the overpayments are not recovered from the students and tertiary institutions.</p> <p>Irregularity: Non-compliance with section 51(1)(a)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Recommendations | <p>The AA did not take appropriate action to resolve the MI. We notified the AA of the following recommendations on 4 November 2022, which should be implemented by 4 August 2023:</p> <ul style="list-style-type: none"> The financial loss relating to disbursements in excess of contract amount should be quantified. The quantification should focus exclusively on loan agreements and should consider the latest available information, including the results of the closeout project. Appropriate action should be taken to obtain legal advice on the process to be followed to recover monies (disbursements in excess of contract amount). Based on the legal advice, the feasibility and cost-effectiveness of recovering the money should be determined and if it is determined that such recovery is feasible and cost effective, such money should be recovered. |
| 125. | 4 November 2020 | Debt not recovered | <p>Tertiary institutions (universities as well as technical and vocational education and training colleges, i.e. TVETs) owe the NSFAS money due to students deregistering or being awarded</p> | Recommendations | <p>The AA did not take appropriate action to resolve the MI. We notified the AA of the following recommendations on 4 November 2022, which should be implemented by 4 August 2023:</p> |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|-----------------|------------------|---|-----------------|--|
| | | | <p>bursaries by other donors and thus not using the NSFAS's funding, or due to disbursements exceeding the students' total cost of study. As most of the institutions have not been following the processes for declaring amounts owing to the NSFAS since 2017, the scheme did not record and collect these amounts.</p> <p>The non-compliance is likely to result in a material financial loss if the debt is not recovered from the institutions.</p> <p>Irregularity: Non-compliance with section 51(1)(c) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | | <ul style="list-style-type: none"> • Re-perform the financial loss quantification for the 2017 to 2020 academic years and quantify the financial loss for the 2021 academic year relating to monies owed by tertiary institutions. The quantification should consider the latest available information, including the results of the closeout project. • Appropriate action should be taken to recover the money owed by tertiary institutions. The recovery process should not be unduly delayed. • Reasonable steps should be taken to implement internal controls to detect monies owed by tertiary institutions. The controls should as a minimum include: <ul style="list-style-type: none"> ○ regular reconciliations between the cash payments to institutions and the total of detailed disbursement schedules to confirm if any excess payment exist ○ annual reconciliations between NSFAS, tertiary institutions and Higher Education Management Information System data for each academic year. • Revise the current agreements between NSFAS and the tertiary institutions. The revised agreements should as a minimum include: <ul style="list-style-type: none"> ○ the roles and responsibilities of both NSFAS and the tertiary institutions to perform the necessary reconciliations ○ what information tertiary institutions will be required to provide and by when such information should be provided to enable the reconciliations to be performed in a timely manner. |
| 126. | 4 November 2020 | Unbilled revenue | <p>In terms of the NSFAS's policy, interest on student loans is supposed to be charged one year after students graduate or leave the tertiary institution. The NSFAS did not have up-to-date information on the status of students, resulting in loan recipients who are no longer studying but are continuing to be recognised as students for</p> | Recommendations | <p>The AA did not take appropriate action to resolve the MI. We notified the AA of the following recommendations on 4 November 2022, which should be implemented by 4 August 2023:</p> <ul style="list-style-type: none"> • The financial loss relating to the interest not charged should be quantified, taking into account the latest available information, including the results of the closeout project. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|---|
| | | | <p>many years without interest being charged on their loans.</p> <p>Irregularity: Non-compliance with section 51(1)(b)(i) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | | <ul style="list-style-type: none"> • Appropriate action should commence to recover all the interest not charged in accordance with the policies of NSFAS. The recovery process should not be unduly delayed. • Reasonable steps should be taken to ensure internal controls exist to confirm that interest is charged on the loan management system in accordance with the policies of NSFAS. |

HUMAN SETTLEMENTS, WATER AND SANITATION PORTFOLIO (7)

Department of Water and Sanitation

| | | | | | |
|------|--------------|--|---|--------------------------------|---|
| 127. | 17 July 2019 | Payment for goods or services not received | <p>Payments were made in 2018-19 to a consulting firm for financial management services without evidence of work having been performed.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R17,9 million</p> | Appropriate actions in process | <p>Actions taken:</p> <p>Based on an investigation concluded in July 2018, the AO undertook the following:</p> <ul style="list-style-type: none"> • Opened a criminal case with the SAPS in July 2018 • Initiated disciplinary procedures in October 2018 against the officials involved • Implemented internal controls to enhance the monitoring of the performance of service providers <p>Further action planned/in process:</p> <ul style="list-style-type: none"> • The officials resigned, but one official joined another department. A request was submitted to that department in June 2020 to continue with the disciplinary process. The hearing was finalised in August 2022 and sanction is awaited. • In November 2018, a summons was filed with the High court to declare the contract invalid and recover losses. The application to declare the contract invalid has since been withdrawn since the contract came to an end and there was no need to declare the contract invalid. The court proceedings to recover the financial loss continue. The defendant instituted a counterclaim against the department as part of |
|------|--------------|--|---|--------------------------------|---|

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|---------------------------------|-----------------|---|---|----------|--|
| | | | | | the court proceedings. A verification process is underway to determine if the supplier did some work. The department finalised the verification process at end of August 2022 after which the date for the court hearing will be set by the Judge President. |
| Umgeni Water Board (KZN) | | | | | |
| 128. | 17 March 2021 | Procurement non-compliance, resulting in overpricing of procured goods and services | A service provider who had not submitted an original/certified B-BBEE certificate was incorrectly awarded points for having met this provision and was awarded the contract in January 2017. This resulted in higher prices being paid as the bidder who would have scored the highest points had quoted a lower price than the appointed service provider. Irregularity: Non-compliance with PPR 10(2) Impact: Material financial loss of R3,5 million | Resolved | The actions taken to resolve the MI were as follows: <ul style="list-style-type: none"> The AA commissioned two independent investigations into the contract that were completed on 26 April 2021 and 25 October 2021. These findings determined that there were control weaknesses, but no persons could be found to have caused any loss and there is no continued financial loss on the contract. The AA implemented stricter document controls over tender files, including signing them in and out of SCM to prevent recurrence of instances where documents cannot be provided. |
| 129. | 3 December 2021 | Payment for goods or services not received | Payments were made to a supplier for social facilitation services between June 2020 and May 2021, without proof that the services had been delivered. Irregularity: Non-compliance with section 57(b) of the PFMA Impact: Financial loss to be quantified by the AA | Referral | The AA has not taken appropriate action to address the MI. The MI was referred to the SIU on 26 July 2022. The case assessment was completed by the SIU's assessment committee and a motivation for a Presidential Proclamation to investigate the MI has been submitted to the Department of Justice and Constitutional Development for consideration. |
| 130. | 31 January 2022 | Payment for goods or services not received | Payments were made to a supplier in January 2019 and May 2021 based on invoices not addressed to the Umgeni Water Board and on invalid invoices for services not received Irregularity: Non-compliance with section 57(b) of the PFMA | Referral | The AA has not taken appropriate action to address the MI. The MI was referred to the SIU on 26 July 2022. The case assessment was completed by the SIU's assessment committee and a motivation for a Presidential Proclamation to investigate the MI has been submitted to the Department of Justice and Constitutional Development for consideration. |

| No. | Notified | Type | MI description | Status | Status description |
|-----------------------------|-----------------|---|---|--------------------------------|---|
| | | | Impact: Financial loss to be quantified by the AA | | |
| 131. | 3 December 2021 | Payment for goods or services not received | <p>Lease payments were made in 2017 based on the incorrect size of the land. The payments were made based on the lease agreement which stated 12,5 hectares of land, while the actual size of the land was only 1,5 hectares.</p> <p>Irregularity: Non-compliance with section 57(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An investigation was conducted and concluded in November 2021 with the recommendation that action be taken against the service provider and responsible officials. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The matter was handed over to the labour relations unit of the entity for the internal disciplinary process, the charges were drafted and the external chairperson was appointed. The disciplinary process is in progress and the implicated official is currently suspended pending finalisation of the disciplinary process. No disciplinary actions could be taken against the other two identified officials as they are no longer employed by the entity. In August 2022, an attorney was appointed by the AA to recover the financial loss from the implicated service provider. They have not yet commenced with the with the recovery process as they are in the process of gathering documents from the entity. |
| Water Trading Entity | | | | | |
| 132. | 18 July 2019 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>An advance payment was not made to a service provider for the provision of professional multidisciplinary services on the raising of the Clanwilliam Dam when it was due in August 2016, as required by the contract – the court found in favour of the service provider in August 2018 and ordered the entity to pay interest.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R2,2 million</p> | Appropriate actions in process | <p>Actions taken:</p> <p>An investigation by the AO was completed in June 2020 and the officials responsible for incurring fruitless and wasteful expenditure were identified. The AO sought a legal opinion from the internal legal services unit to determine the appropriate steps to be taken against the former officials and the feedback was received in December 2020. The outcome was that recovery letters must be written to request payment for the losses suffered. The letters were subsequently sent in May 2021 and a response was received in July 2021 requesting additional information. The entity responded to the legal representatives in February 2022 providing additional information. No</p> |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|-----------------|----------------------|---|--------------------------------|--|
| | | | | | <p>response was received from the legal representatives after numerous follow-ups. Consequently, the entity instructed the State Attorney to issue a summons in July 2022.</p> <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The entity referred the matter to the State Attorney in July 2022 to issue a summons for recovery of the losses from the implicated officials. In July 2022, entity received a response from State Attorney indicating that they are in the process of appointing an advocate to assist on the matter. It was confirmed in August 2022 that all summonses have been issued and the State Attorney was awaiting feedback from the three former officials. |
| 133. | 8 December 2021 | No benefit from cost | <p>The entity entered into a contract with a construction firm (contractor) to raise the Hazelmere Dam for a contract amount of R522 109 661 ending on 31 July 2019. There were delays in the procurement process of permanent load cells required to finalise the project, this resulted in the project being put on hold from 15 January 2018; at that stage the project was 96% complete. The contractor incurred time- and cost-related charges (standing time and fixed related charges) which the entity was liable to pay. The non-payment of these costs resulted in the contractor terminating the contract on 9 October 2018 and leaving the site with their equipment.</p> <p>A settlement agreement was entered into between the entity and the contractor to allow the contractor to return to the site and finalise</p> | Appropriate actions in process | <p>Actions taken:</p> <p>An investigation by the AO was completed in July 2022 and recommended that action be taken against the identified officials.</p> <p>Further actions planned/in process:</p> <p>The AO plans to implement disciplinary actions against officials by April 2023.</p> |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|--------------------|
| | | | <p>the project. In terms of the contract, the contractor requested payments of the site re-establishment costs and standing time incurred.</p> <p>Irregularity: Non-compliance with section 38(1)(b) of the PFMA</p> <p>Impact: Material financial loss of R28,8 million</p> | | |

JUSTICE AND CORRECTIONAL SERVICES PORTFOLIO (1)

Department of Correctional Services

| | | | | | |
|------|-------------|---|---|--------------------------------|---|
| 134. | 1 June 2022 | Payment not made or not made in time, resulting in interest/standing time/penalties | <p>In August 2021, a final court judgment was issued against the department to pay an arbitration award and related interest to a supplier for payment within 30 days. The payment to the supplier was only made in October 2021, which resulted in additional interest being incurred.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Material financial loss of R1,18 million</p> | Appropriate actions in process | <p>Action planned/in process:</p> <p>An investigation into the MI by the AO commenced in July 2022 to determine the circumstances resulting in the financial loss. Persons found responsible will be kept accountable.</p> |
|------|-------------|---|---|--------------------------------|---|

MINERAL AND ENERGY RESOURCES PORTFOLIO (1)

Department of Mineral Resources and Energy

| | | | | | |
|------|--------------|---|---|------------------------------------|--|
| 135. | 29 July 2022 | No benefit for cost (including standing time) | <p>Solar water geysers were ordered and paid for in the 2016-17 financial year but was not installed for the benefit to end users, resulting in the department continuing to pay storage costs.</p> <p>Irregularity: Non-compliance with section 38(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AO</p> | Follow-up or assessment in process | <p>We are evaluating the AO's response to the notification of the MI. The process was delayed due to the department's data storage facility being offline; hence, some critical documentation could not be retrieved to respond to the MI notification. The initial date of the response was due at the end of August 2022 but a request for extension was granted and the response was received during August 2022.</p> |
|------|--------------|---|---|------------------------------------|--|

| No. | Notified | Type | MI description | Status | Status description |
|---|---------------|---|--|-------------------------------|---|
| PUBLIC ENTERPRISES PORTFOLIO (2) | | | | | |
| Transnet | | | | | |
| 136. | 4 August 2021 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>A contract for the leasing of equipment was awarded during December 2019 to a bidder who did not score the highest points in the bid evaluation process, resulting in higher prices being paid.</p> <p>Irregularity: Non-compliance with section 2(1)(f) of the PPPFA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate action in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An independent forensic Investigation was performed and the report was finalised in March 2022, with recommendation for disciplinary action to be taken against the implicated officials. The AA has taken disciplinary actions against officials identified. <p>Further actions planned/in process</p> <ul style="list-style-type: none"> The officials are still in the process of acknowledging the warning letters following the conclusion of the disciplinary process. The AA is in the process of addressing the internal control deficiencies to prevent similar MIs in future. The financial loss quantification and recovery process is still under assessment. |
| 137. | 4 August 2021 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>The entity entered into a contract with a supplier in January 2020 for the leasing of equipment for a period of five years at higher prices and higher contract values than what were included in the bid documents. This overpayment was made since the inception of the contract and is still continuing.</p> <p>Irregularity: Non-compliance with section 57(b) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | Appropriate action in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An independent forensic Investigation was performed and finalised in March 2022 with recommendation for disciplinary action to be taken against the implicated officials. The AA has taken disciplinary actions against officials identified. <p>Further actions planned/in process:</p> <ul style="list-style-type: none"> The financial loss quantification and recovery process is still under assessment. The officials are still in the process of acknowledging the warning letters following the conclusion of the disciplinary process. |

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|----------------|--------|---|
| | | | | | <ul style="list-style-type: none"> The AA is in the process of addressing the internal control deficiencies to prevent similar MIs in future. The AA will monitor the contract for the remainder of the lease term to ensure that both parties perform on the terms stipulated in the contract. |

PUBLIC WORKS AND INFRASTRUCTURE PORTFOLIO (9)

Department of Public Works and Infrastructure

| | | | | | |
|------|---------------|--|--|----------|--|
| 138. | 3 August 2020 | Payment made was not in line with contract | <p>The prices charged on the invoices for three state events from July 2018 to November 2018 differed from the prices quoted on the pricing schedule submitted by the supplier during the tender process.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R0,8 million</p> | Resolved | <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> The department went through the payment batches to understand and identify the responsible officials that made or authorised the payments. This exercise identified one senior official as being responsible for the material financial loss. A letter was written to the responsible official to begin disciplinary action and charges were subsequently added to his ongoing disciplinary case arising from another MI that was raised relating to state funerals. The disciplinary hearing date has not yet been set. The department commenced with the process of recovering the overpayment of R825 832 from the service provider through the State Attorney. The department implemented a process where officials manually compare prices against scheduled prices before purchase orders are issued. <p>The department is embarking on buying its own movable infrastructure, i.e. marquees, generators, chairs etc. and is developing internal capacity to implement the projects by itself and plan to procure a panel of service providers that will be used on a quotation basis.</p> |
|------|---------------|--|--|----------|--|

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|---------------|--|--|--------------------------------|--|
| 139. | 2 August 2020 | Payment made was not in line with contract | <p>Expenditure on state funerals between May 2018 and December 2018 exceeded the contract amount and the services paid for differed from those provided for in the contracts.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R9,1 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO investigated the matter, which was finalised in March 2019. The investigation confirmed the irregularities and recommended disciplinary actions against three senior officials found to be responsible for the MI. In December 2021, the department approached the State Attorney who in turn appointed legal counsel to handle the disciplinary proceedings against the three officials still in the employment of the department. The AO opened a case with the SAPS in 2020 for civil recovery against the supplier, as recommended by the investigation report. The combined summons was filed at the Gauteng High Court in a matter between the Public Works and Infrastructure minister and the supplier in April 2022. The summons covers the two funerals for the total of R495 501. The remaining financial loss to be recovered is currently being followed up by the SIU. As part of the improvements in the internal controls, the department implemented the segregation of duties within the procurement and payment processes to reduce the possibility of circumventing policies and legislation. The department is embarking on buying its own infrastructure, developing internal capacity to implement the projects by itself and procuring a panel of service providers that will be used on a quotation basis. <p>Further actions planned/in progress:</p> <ul style="list-style-type: none"> The disciplinary proceedings are currently underway for the director-general and are being handled by the Presidency, while the disciplinary hearing of the other two officials implicated is being handled by the State Attorney. |

| No. | Notified | Type | MI description | Status | Status description |
|---|------------------|---|--|--------------------------------|--|
| | | | | | In addition to the opening a case with the SAPS, the matter was referred to the SIU, who commenced an investigation in 2021 with the plan to institute a civil claim against the supplier based on the outcome of the investigation. To date, the SIU has not yet finalised the investigation. |
| Property Management Trading Entity | | | | | |
| 140. | 13 November 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | Competitive bidding processes were not followed to appoint contractors and consultants for the Beitbridge borderline infrastructure project in March 2020. As a result, market-related prices were not secured. Irregularity: Non-compliance with TR 16A3.2(a) Impact: Financial loss to be quantified by the AO | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The Public Works and Infrastructure minister requested an investigation by the governance, risk and control (GRC) unit of the department, assisted by seconded members from the SIU, which commenced in April 2020 and concluded in July 2020. The SIU launched a successful application in August 2020 to freeze the service providers' bank accounts. Furthermore, the Special Tribunal made an order by agreement that the service providers would not make any further claims for payment from the department. In November 2020, the SIU instituted legal action against suppliers with the tribunal under case number GP17/2020. In March 2022, the tribunal handed a judgment which stripped the contractor and principal agent off any profits arising from the project. The National Treasury placed both companies under restriction in August 2021 to prevent the companies from doing business with the government for a period of 10 years. Significant progress has been made with consequence management for eight middle management officials who were found to be responsible for the material financial loss. The disciplinary hearing process against the responsible officials was concluded in June 2022, with the chairperson of the hearing finding the employees guilty of the charges raised. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|------------------|---|--|--------------------------------|--|
| | | | | | <ul style="list-style-type: none"> The entity has increased its oversight of procurement and contract management on contraction projects to ensure that similar issues do not reoccur. <p>Further actions planned/in progress:</p> <ul style="list-style-type: none"> A criminal case was registered with the SAPS in July 2021 (case number 359/07/2021) by the SIU and the investigation is still ongoing. In addition to the officials who were found guilty as stated above, three senior officials were also found to be responsible for the MI. One of the three senior official launched a court application to review the investigation report. As a result, the chairperson postponed the disciplinary proceedings against the other three senior managers indefinitely pending the judicial review outcome in the High Court. However, one senior official has since applied for termination by mutual agreement subject to minister's approval. To date, no approval has been obtained. |
| 141. | 13 November 2020 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>Establishment costs were incorrectly included in the bill of quantities pertaining to the Beitbridge borderline infrastructure project in March 2020, due to ineffective internal controls to prevent the inclusion and payment thereof.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R1,1 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> An investigation by the GRC unit of the department, assisted by seconded members from the SIU, commenced in April 2020 and concluded in July 2020. The SIU launched a successful application in August 2020 to freeze the service providers' bank accounts. Furthermore, the tribunal made an order by agreement that the service providers would not make any further claims for payment from the department. In November 2020, the SIU instituted legal action against suppliers with the tribunal. In March 2022, the tribunal handed a judgment, which stripped the contractor and the principal agent from any profits arising from the project. |

| No. | Notified | Type | MI description | Status | Status description |
|------|----------------|--|---|--------------------------------|---|
| | | | | | <ul style="list-style-type: none"> The National Treasury placed both companies under restriction in August 2021 to prevent them from doing business with the government for a period of 10 years. Significant progress has been made with consequence management for eight middle management officials who were found to be responsible for the MI. The disciplinary hearing process against the responsible officials was concluded in June 2022, with the chairperson of the hearing finding the employees guilty of the charges raised. The entity has increased its oversight of procurement and contract management on contraction projects to ensure that similar issues do not reoccur. <p>Further actions planned/in progress:</p> <ul style="list-style-type: none"> A criminal case was registered with the SAPS in July 2021 by the SIU and the investigation is still ongoing. In addition to the officials who were found guilty as stated above, three senior officials were also found to be responsible for the MI. One of the three senior officials launched a court application to review the investigation report. As a result, the chairperson postponed the disciplinary proceedings against the other three senior managers indefinitely |
| 142. | 27 August 2021 | Payment made was not in line with contract | <p>Between October 2017 and March 2019, payments made on the lease of office accommodation and parking were higher than those provided for in the renewed lease agreement.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R11 million (Recovered loss to date: R9,7 million)</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO appointed a service provider in August 2021 to establish the extent of the overpayments within the leasing portfolio and, among other things, to assist with the verification of data against lease agreements, to correct historic and current data to ensure correct payments and to perform reconciliations before and after payment run. The first draft closeout report prepared by the service provider was finalised in August 2022 and planned for discussion with the AO during October 2022. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|-----------------|--|--|--------------------------------|--|
| | | | | | <ul style="list-style-type: none"> The AO also implemented consequence management through issuing letters to two middle management officials identified to be responsible to explain the lack of oversight on lease payments. Based on the response, final written warning letters were issued in January 2022 to the official responsible for oversight and ensuring due diligence with regard to lease payments. The entity correctly captured the lease details on the system and implemented the use of credit notes to deduct any overpayments from future rentals. The recovery process began in June 2021 and an amount of R9,7 million out of the R11 million financial loss identified has already been recovered from the service provider. The controls were enhanced on payments as the monthly reconciliations are performed prior to the payment run to identify under-/overpayment and in effecting the payment, the success of the transactions is now confirmed. However, the effectiveness of the controls will be assessed in the future audits. <p>Further action planned/in progress:</p> <p>The entity is still in the process of recovering the remaining financial loss of R1,3 million.</p> |
| 143. | 15 October 2021 | Payment made was not in line with contract | <p>PMTE approved the contract extensions in the construction of the Mamelodi Magistrate's Court, with adjustments to the contract value, which were not in line with the contract.</p> <p>Irregularity: Non-compliance with section 45(a) of the PFMA</p> <p>Impact: Material financial loss of R1,8 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> In November 2021, the AO sent letters of consequence management to the three responsible officials (two senior and one middle management) to explain their actions in approving the claims and payments to the contractor. The entity received follow-up MI training in March 2022 from the AGSA team to continue increasing awareness on accountability. The entity also issued a directive in June 2022 on how to process claims relating to major riots and covid-19 to prevent similar claims in future. |

| No. | Notified | Type | MI description | Status | Status description |
|------|-------------|--|--|--------------------------------|---|
| | | | | | <p>Further actions planned/in progress:</p> <ul style="list-style-type: none"> The AO sent a letter to the principal agent in November 2021, requesting an explanation of payments made. Based on the response to the letter received in the same month and other subsequent correspondence, the principal agent was instructed to recover the financial loss from the service provider. Based on the responses received by three responsible officials on consequence management, the matter was referred for investigation in March 2022 to the labour relations of the entity and the process is still underway with anticipated completion date of November 2022. Once the investigation is completed, labour relations will then prepare charge sheets and institute disciplinary action against the identified officials. |
| 144. | 3 June 2022 | Payment made was not in line with contract | <p>Between August 2019 and March 2021, payments made on lease of office accommodation and parking were higher than those provided for in the lease agreement.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R3,8 million</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The AO appointed a service provider in August 2021 to establish the extent of the overpayments within the leasing portfolio and, among other things, to assist with the verification of data against lease agreements, correction of historic and current data to ensure correct payments and performing of reconciliations before and after payment run. The first draft closeout report prepared by the service provider was finalised in August 2022 and planned for discussion with the AO during October 2022. The AO identified the middle management official who was responsible for the MI and took consequence management through issuing of the verbal warning in July 2021. In July 2021, the entity captured the new lease and effected adjustments to prevent subsequent overpayments. Furthermore, the AO took steps to recover the financial loss by withholding payments to the landlord from July 2021 until the overpayments are recovered. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|--------------------------------------|----------------|---|--|------------------------------------|--|
| | | | | | <ul style="list-style-type: none"> The controls were enhanced on payments as the monthly reconciliations are performed prior to the payment run to identify under-/overpayment and transactions are now confirmed if they were successful or not in effecting the payment. However, effectiveness of the controls will be assessed in the future audits. <p>Further action planned/in progress: The entity is still in the process of recovering the financial loss.</p> |
| 145. | 26 August 2021 | Assets not safeguarded, resulting in loss | <p>Boilers at Leeuwkop Prison were not appropriately safeguarded during construction, resulting in them being damaged due to exposure to severe weather conditions.</p> <p>Irregularity: Non-compliance with TR 10.1.1 (a) Impact: Financial loss to be quantified by the AO</p> | Recommendations | <p>The AO did not take appropriate action to resolve the MI.</p> <p>We have included the following recommendations in the 2021-22 audit report, which should be implemented by January 2023:</p> <ul style="list-style-type: none"> Appropriate action should be taken to investigate the non-compliance to determine if any official should be held responsible. The financial loss relating to the boilers should be quantified and appropriate action taken to determine whether the responsible official(s) is/are liable by law for the losses suffered by the department for the purpose of recovery, as required by TR 12.7.1. Effective and appropriate disciplinary steps should be initiated, without undue delay, against any official whom the investigation found responsible, as required by section 38(1)(h) of the PFMA. Reasonable steps should be taken to ensure that preventative mechanisms are in place to eliminate further losses on account of inadequate safeguarding or other damage in relation to construction site assets as required by TR 10.1.1 (a) |
| Independent Development Trust | | | | | |
| 146. | 01 July 2022 | Sars late payments, resulting in interest and penalties | On numerous occasions from March 2020 until October 2021, VAT payments were made late by the trust, which resulted in penalties and interest being charged by Sars. | Follow-up or assessment in process | We are evaluating the AO's response to the notification of the MI. |

| No. | Notified | Type | MI description | Status | Status description |
|---|----------------|--|---|--------------------------------|---|
| | | | <p>Irregularity: Non-compliance with section 28(1)(b) of the Value Added Tax Act</p> <p>Impact: Material financial loss of R1,8 million</p> | | |
| SOCIAL DEVELOPMENT PORTFOLIO (3) | | | | | |
| South African Social Security Agency (Sassa) | | | | | |
| 147. | 23 August 2021 | Payment for goods or services not received | <p>In April 2018, Sassa incorrectly paid a service provider who was not entitled to the social assistance fees billed, as no services were rendered by the service provider.</p> <p>Irregularity: Non-compliance with sections 50(1)(a) & (b) of the PFMA</p> <p>Impact: Material financial loss of R74,8 million</p> | Appropriate actions in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> The entity, through the National Treasury, appointed a firm in December 2021 to investigate whether any officials could be held liable. The investigation is still in progress. The supplier is undergoing a liquidation process and once the process is finalised, any funds not recovered from liquidation may possibly be recovered from those officials who can be held liable in law. |
| 148. | 4 October 2021 | Payment for goods or services not received | <p>During 2014, Sassa made a payment to a service provider that was appointed to administer grant payments at the time. The payment was made as part of a variation to the SLA with the service provider; however, the variation was not necessary, as the additional services had already been covered by the existing agreement.</p> <p>Irregularity: Non-compliance with section 50(1)(c) of the PFMA</p> <p>Impact: Material financial loss of R316,4 million</p> | Appropriate action in process | <p>Actions planned/in process:</p> <ul style="list-style-type: none"> The entity, through the National Treasury, appointed a firm in February 2022 to investigate whether any officials could be held liable. The investigation is still in progress. The supplier is undergoing a liquidation process and once the liquidation process is finalised, any funds not recovered from liquidation may possibly be recovered from those officials who can be held liable |
| 149. | 4 October 2021 | Payment of ineligible beneficiaries | <p>Between May 2020 and August 2021, Sassa made payments to ineligible individuals due to inadequate internal controls to perform validations and prevent payments being made</p> | Recommendations | <p>The AA failed to implement the planned actions to resolve the MI.</p> <ul style="list-style-type: none"> We notified the AA of the following recommendations, which should be implemented by 29 January 2023: |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|-----|----------|------|--|--------|---|
| | | | <p>to persons who were not entitled to the Social Relief for Distress (SRD) covid-19 R350 grant.</p> <p>Irregularity: Non-compliance with section 50(1)(a)(1) of the PFMA</p> <p>Impact: Financial loss to be quantified by the AA</p> | | <ul style="list-style-type: none"> Reasonable steps should be taken to implement internal controls to prevent and detect payments to ineligible beneficiaries. These should include verifying the applicants against the latest available databases, maintaining an audit trail of verifications that were performed and cancelling further payments to ineligible beneficiaries. Appropriate action should be taken to recover payments made to ineligible beneficiaries that were working for the state at the time of applying for the grant. The recovery process should not be unduly delayed. Appropriate action should be taken to obtain legal advice on the process to be followed to recover monies paid to ineligible beneficiaries who are not employed by the state. Based on the legal advice, the feasibility and cost-effectiveness of recovering the money should be determined and, if it is determined that such recovery is feasible and cost-effective, such money should be recovered from the ineligible beneficiaries who are not employed by the state. |

TRANSPORT PORTFOLIO (9)

Passenger Rail Agency of South Africa (Prasa)

| | | | | | |
|------|--------------|--|--|----------|--|
| 150. | 17 July 2019 | Procurement non-compliance, resulting in supplier not delivering on contract | <p>Multiple instances of non-compliance in the procurement process for locomotives in July 2012 resulted in the contract being unfairly awarded. A prepayment of R2,6 billion was made to the supplier, but Prasa derived no value as the locomotives were not fit for purpose. The supplier applied for liquidation in December 2018, making recovery of the financial loss unlikely and resulting in R2,2 billion in debt owed by the supplier to Prasa being impaired in 2018-19.</p> | Resolved | <p>The 2015 investigation by the board into the procurement process of the locomotives resulted in the matter being referred to the Hawks for investigation and the contract being set aside by the court in May 2019. The second phase of the Hawks investigation into implicated officials is still in progress.</p> <p>The AA did not take appropriate action to identify the responsible officials and take disciplinary action. On 15 August 2021, the AG notified the AA of remedial actions that had to be implemented by 15 December 2021.</p> |
|------|--------------|--|--|----------|--|

| No. | Notified | Type | MI description | Status | Status description |
|------|--------------|---|---|--------------------------------|---|
| | | | <p>Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA</p> <p>Impact: Material financial loss of R2,2 billion</p> | | <p>We considered the representations made and the substantiating documents provided and concluded that appropriate actions have been taken to address the MI.</p> <p>The actions taken to resolve the MI were as follows:</p> <ul style="list-style-type: none"> Disciplinary action against the relevant BEC and BAC members as well as officials that were involved in the awarding of the contract was initiated and is in an advanced stage of completion. A legal firm was appointed to assist the AA to manage and drive the disciplinary action processes against the relevant officials. Several cases are locked in legal processes, which is causing delays in the finalisation thereof. However, satisfactory progress has been made in resolving the disputes in these cases. <p>The AA is monitoring the progress through a sub-committee of the board that was established for this purpose and that provides regular progress feedback to the AAs.</p> |
| 151. | 11 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | <p>A contract for the control of vegetation was awarded in August 2018 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid.</p> <p>Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA</p> | Appropriate actions in process | <p>Actions taken:</p> <ul style="list-style-type: none"> The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials responsible. <p>Further actions planned/in process:</p> <p>Disciplinary action against the four implicated officials resulted in one official resigning prior to conclusion of the disciplinary process, another official being acquitted and the third being dismissed. The remaining official is still on suspension pending the conclusion of the disciplinary proceedings.</p> |
| 152. | 17 July 2019 | Procurement non-compliance, | Competitive bidding processes were not followed to appoint contractors for general overhaul and upgrade services – first awarded | Appropriate actions in process | <p>Action taken and further action planned/in process:</p> <p>The SIU completed the investigation in June 2021 and recommended appropriate consequence management to be implemented.</p> |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|--------------|---|---|--------------------------------|---|
| | | resulting in overpricing of procured goods and services | before 2008 and extended multiple times without following competitive bidding processes. This is likely to result in material financial losses, as market-related prices were not secured. Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA Impact: Financial loss to be quantified by the AA | | Actions in this regard by the AA were initially supposed to have been completed by December 2021; however, the matter is currently with external parties, e.g. the National Treasury and legal experts, to ensure processes are legal and appropriate. Therefore, the delays are not within the control of the Prasa board. |
| 153. | 17 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | Non-compliance with SCM legislation led to an unfair procurement process for a new signalling system in the Western Cape in July 2012. The value of the contract awarded was also higher than what had been approved. This is likely to result in material financial losses, as a fair and transparent process was not followed and there was no justification for the contract value exceeding the approved amount. Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA | Appropriate actions in process | Action taken: The SIU investigation, through secondment agreement, established that the key roleplayers who participated in the procurement process have either been dismissed or have resigned from Prasa and, therefore, no internal consequence management can be implemented against them. Further action planned/in process: Notwithstanding this, the entity committed it would still report the matter to the SAPS accordingly. |
| 154. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | Competitive bidding processes were not followed to appoint contractors for the provision of bus services in the Western Cape – first awarded in 2005 and extended multiple times without following competitive bidding processes. This is likely to result in material financial losses, as market-related prices were not secured. Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA | Appropriate actions in process | Actions taken: The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and Prasa has implemented the recommended cancellation of the contract. Further action planned/in process: One employee has been charged in relation to this matter and remains on suspension pending the conclusion of disciplinary proceedings. |

| No. | Notified | Type | MI description | Status | Status description |
|------|--------------|---|---|--------------------------------|---|
| 155. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | Competitive bidding processes were not followed to appoint contractors for the provision of surveillance services (drones) in February 2018. This is likely to result in material financial losses, as market-related prices were not secured and the contract was extended without the required approvals. Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and, consequently, the non-compliance. Further actions planned/in process: The investigation report recommended that disciplinary action be taken against the responsible officials, which is in progress, with one employee on suspension pending the finalisation of disciplinary proceedings and the remaining two officials still to be charged. |
| 156. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | Competitive bidding processes were not followed for the repair, supply and delivery of signalling equipment in July 2018. The value of the contract awarded was also higher than what had been approved. This is likely to result in material financial losses, as market-related prices were not secured. Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible. Further actions planned/in process: Disciplinary action against the four implicated officials resulted in one official resigning prior to conclusion of the disciplinary process, one official being acquitted and one official being dismissed. The remaining official is still on suspension pending the conclusion of the disciplinary proceedings. |
| 157. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | Competitive bidding processes were not followed in awarding a contract for repairing or replacing signalling equipment in July 2018. The value of the contract awarded was also higher than what had been approved. This is likely to result in material financial losses, as market-related prices were not secured. | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible. |

MATERIAL IRREGULARITIES STATUS AT 30 SEPTEMBER 2022

| No. | Notified | Type | MI description | Status | Status description |
|------|--------------|---|---|--------------------------------|--|
| | | | Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA | | Further actions planned/in process: Disciplinary action against the three implicated officials resulted in one official resigning prior to conclusion of the disciplinary process and one official being dismissed. The remaining official is still on suspension pending the conclusion of the disciplinary proceedings. |
| 158. | 18 July 2019 | Procurement non-compliance, resulting in overpricing of procured goods and services | Competitive bidding processes were not followed to appoint contractors for the provision of security services in February 2018. This is likely to result in material financial losses, as market-related prices were not secured and the contract was extended without the required approvals. Irregularity: Non-compliance with section 51(1)(a)(iii) of the PFMA | Appropriate actions in process | Actions taken: <ul style="list-style-type: none"> The investigation was performed by the SIU through a secondment agreement. The investigation confirmed the non-compliance and identified officials that were responsible for the breakdown of internal controls and, consequently, the non-compliance. Further actions planned/in process: The recommendation of the investigation report to take disciplinary action against the responsible officials is in progress, with one employee on suspension pending the finalisation of disciplinary proceedings and the remaining two officials still to be charged. |

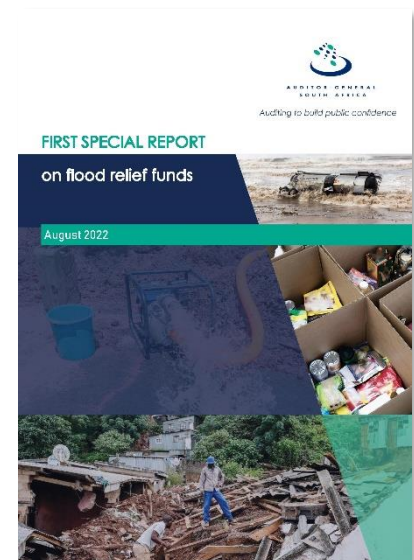
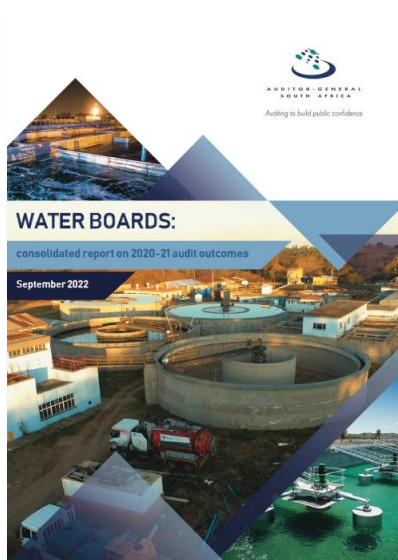
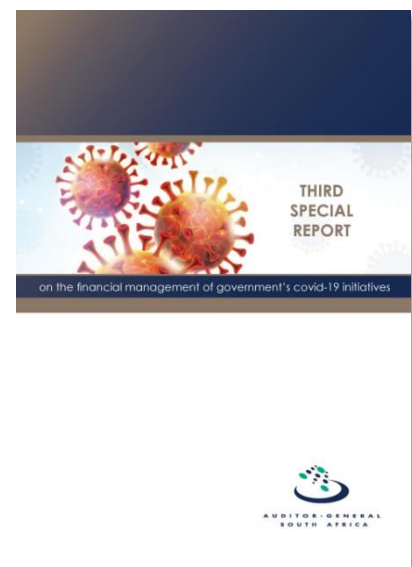
PRODUCTS OF THE AGSA

Every year, the AGSA produces audit reports on all government departments, public entities, municipalities and municipal entities.

The outcomes of these reports are analysed in our general reports, which cover the Public Finance Management Act (PFMA) cycle for national and provincial government, and the Municipal Finance Management Act (MFMA) cycle for local government.

We also produce reports on the status of material irregularities in local, national and provincial government.

These and our other reports, including our special reports on government's covid-19 initiatives and flood-relief funds, are available on our website (www.agsa.co.za).



AUDITING TO BUILD PUBLIC CONFIDENCE



Auditor General of South Africa



@Auditor-Gen_SA



Auditor-General of South Africa

www.agsa.co.za



AUDITOR - GENERAL
SOUTH AFRICA

Physical address: 4 Daventry Road
Lynwood Manor
Pretoria, SA

Postal address: PO Box 446
Pretoria, 0001

Telephone: 012 426 8000
Fax to email: 012 426 8257
Email: agsa@agsa.co.za
Website: www.agsa.co.za

RP352/2022
ISBN: 978-0-621-50788-1



Scan this QR code to get
quick access to the
digital version of this
report