



AUDITOR-GENERAL
SOUTH AFRICA

SIMPLE STEPS IN AUDITING PUBLIC SECTOR



May 2026





JOE SLOVO LOCAL MUNICIPALITY

Working together for a better future

PROJECT FUNDED

Amanzi wethu Community Water Project

PROJECT GOAL:

To address water interruptions by:

 Repair damaged pipelines

 Install water tanks

 Improve water access
in rural communities

 Reduce water interruptions

BUDGET: **R50 MILLION**

THE COMMUNITY IS EXCITED.
PEOPLE EXPECT CHANGE.



SIX MONTHS LATER...

SOME WATER TANKS
ARE MISSING



SOME PIPELINES
ARE INCOMPLETE



CONTRACTORS COMPLAIN
ABOUT UNPAID INVOICES



COMMUNITIES STILL EXPERIENCE
WATER SHORTAGES



**CITIZENS
START ASKING:
"WHERE DID
THE MONEY GO?"**



SIMPLE STEPS IN AUDITING PUBLIC SECTOR

TOPICS TO BE COVERED

1



Understanding the
regulatory
environment

2



Understanding the
mandate of the
AGSA

3



Applying core
auditing principles
such as transparency
and accountability

4



Analysis of
audit evidence

5



Reporting clear
findings with
practical
recommendations

THE REGULATORY ENVIRONMENT



WHAT IS THE REGULATORY ENVIRONMENT?

The system of laws, rules, policies, and institutions governing public administration to protect public resources.



Proper Stewardship:

Ensures public funds are used transparently and responsibly.



Ethical Pillars:

Actively promotes accountability, fairness, and efficient service delivery.



WHY ACCOUNTABILITY MATTERS

Weak financial controls and non-compliance carry a heavy cost for everyday citizens, visible in daily life:



Unrepaired roads, water supply delays, and houses left incomplete.



Critical healthcare clinics operating without essential medication.



KEY LEGISLATIVE PILLARS

- **PFMA:** Public Finance Management Act
- **MFMA:** Municipal Finance Management Act
- **PPPFA:** Preferential Procurement Policy Framework Act



KEY TAKE AWAY: The regulatory environment is a cornerstone of the public sector, as it promotes the safeguarding of public resources, supports the effective and orderly operation of institutions, and ultimately helps sustain public trust and confidence.



UNDERSTANDING THE MANDATE OF THE AUDITOR GENERAL OF SA



Established directly in terms of **Section 188 of the Constitution**, the Auditor-General of South Africa serves as the country's Supreme Audit Institution, responsible for conducting independent audits of the public sector.

The **Public Audit Act (PAA)** further prescribes the functions, powers, and responsibilities of the AGSA, as well as the public sector institutions subject to audit.

1. FINANCIAL PILLAR



Audit of Financial Statements

Ensures correct tracking of public spending, verifying that annual figures match transactions accurately and conform to applicable financial reporting frameworks.

2. REGULATORY PILLAR



Audit of compliance with laws & regulations

Looks into whether public sector institutions adhere to applicable laws and regulatory frameworks during operations.

3. SERVICE DELIVERY PILLAR



Audit of Performance Information

Confirms whether the performance information reported by institutions is credible and supported by evidence on the ground – including whether reported under-achievements, achieved targets, or over-achievements in areas such as clinics, schools, and infrastructure are accurately reflected in actual service delivery outcomes.



KEY TAKEAWAY: PUBLIC SECTOR AUDITING IS ABOUT CITIZENS, NOT JUST NUMBERS.
Excellent oversight ensures that money intended for communities directly improves their lives.



Auditors' role in transparency and accountability:



Public sector auditors play an important role in promoting transparency and accountability by independently assessing whether government institutions use public resources responsibly, comply with legislation, and report truthfully on their performance. Through objective audits, public reporting, and adherence to high ethical and professional standards, auditors help strengthen governance, improve oversight, and ensure that institutions can be held accountable for their actions and decisions.

Why transparency and accountability matter to citizens:



Transparency and accountability are essential in a democratic society because they help build public trust and confidence in government institutions. When citizens can see how public funds are used and whether commitments are being met, it reduces the risk of abuse of power, corruption, and poor service delivery. This ultimately supports better decision-making, more effective public services, and stronger confidence in the democratic system.

ANALYSIS OF AUDIT EVIDENCE



ISA 500.6: Design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.



ISA 500.7: Consider the relevance and reliability of the information to be used as audit evidence.



SUFFICIENCY

Sufficiency is the measure of the **quantity** of audit evidence. The quantity of audit evidence required is affected by the auditor's assessment of the risks of misstatement and also by the quality of such audit evidence. Obtaining more audit evidence, however, may not compensate for its poor quality.



APPROPRIATENESS

Appropriateness: The measure of the quality of audit evidence, i.e. its **relevance** and its **reliability** in providing support for the conclusions on which the audit opinion is based.

- **Relevance** deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration.

[ISA 500.A27] In essence, it concerns whether the procedures are actually addressing the assertions in question, and actually providing evidence that addresses the assessed risk at the assertion level.

- The **reliability** of evidence (as required in consideration of each assertion) is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. **[ISA 500.A31]**

FROM FINDINGS TO BETTER GOVERNANCE

1 UNDERSTANDING IRREGULARITIES



Identify what went wrong and the impact on the organisation.



- Audits identify significant findings and irregularities at auditees, which are communicated to management and the AO/AA through audit reports and management reports.



- Findings are linked to significant internal control deficiencies (ICDs) that failed to prevent, detect, or correct errors and non-compliance.



- Auditors assess weaknesses in leadership, governance, oversight, ethics, risk management, and accountability systems that contribute to these deficiencies.



- The focus is on identifying the key matters that negatively impact financial management, compliance, reporting, and service delivery.

KEY TAKEAWAY

Understand the significant issues and the control weaknesses that allowed them to happen.

2 ROOT CAUSES – LOOKING DEEPER



Find out why it happened by tracing back to the underlying causes.



- Root cause analysis goes beyond symptoms to determine why control failures occurred.



- Root causes must be specific, evidence-based, logical, and within the control of the AO/AA to address.



- Auditors use methods such as the “Five Whys” technique to trace findings back to underlying causes in the control environment.



- The process prioritises the most significant systemic issues that, if resolved, can address the majority of recurring problems.



- Root causes should avoid vague explanations such as “lack of oversight” and instead identify the actual breakdowns in accountability, leadership, or governance.

KEY TAKEAWAY

Identify and validate the underlying causes that, if fixed, will prevent the problems from recurring.

3 PRACTICAL RECOMMENDATIONS



Do what is needed to fix the root causes and strengthen controls sustainably.



- Recommendations are developed to directly address the identified root causes and strengthen controls sustainably.



- Recommendations should be practical, SMART (Specific, Measurable, Achievable, Relevant, and Time-bound), and capable of being implemented by the AO/AA.



- Focus is placed on a limited number of high-impact recommendations to improve implementation success.



- Recommendations may include immediate corrective actions, long-term improvement plans, skills development, investigations, or strengthened oversight processes.



- Effective implementation of recommendations helps improve governance, accountability, audit outcomes, and overall institutional performance.

KEY TAKEAWAY

Implement practical, high-impact actions to strengthen controls and improve performance.

THE CONNECTION



Understand the problem



Find the real causes



Take action and improve



Better governance, accountability and service delivery

RESULTS



Improved Governance



Stronger Accountability



Better Audit Outcomes



Improved Service Delivery

Stay in touch with the AGSA



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