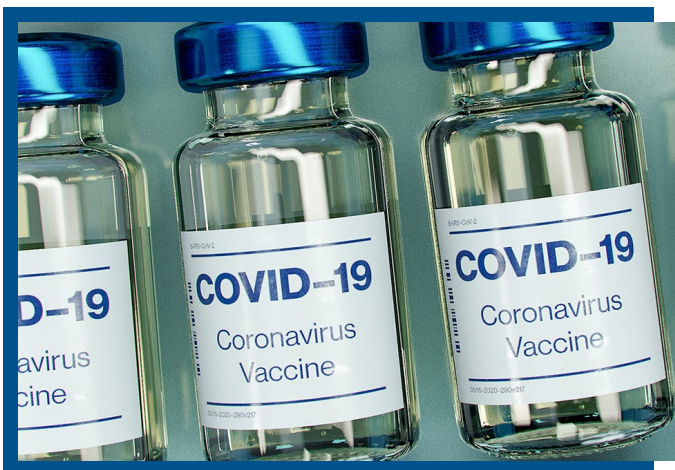




SOUTH AFRICA CASE STUDY

AGSA: Rapid responses to disaster

For many South Africans, the covid-19 pandemic was not the only critical emergency they've had to face in the past two years.



The initial national disaster, covid-19 pandemic

Just as the pandemic and its impact seemed to ease, another national state of disaster declared by President Ramaphosa struck in April 2022. Devastatingly rampant floods swept across parts of KwaZulu-Natal and the Eastern Cape destroying communities and leaving many destitute and homeless.

In both of these declared disasters, rapid responses and emergency measures were needed to save lives and livelihoods. As multibillion-rand relief packages were introduced into an already-compromised control environment, many of the initiatives implemented by government, in a bid to relieve social and economic distress, required a unique audit approach.

To determine whether funds were actually spent for their intended purposes, the Auditor-General of South Africa (AGSA), as the country's supreme audit institution (SAI), recognised the need for a real-time audit. This entailed auditing the processes as they unfolded and communicating any risks and findings identified without delay, so that prompt action could be taken to implement corrective measures.

“ Experience, both internationally and locally, has shown that these types of circumstances create opportunities for integrity violations, most notably fraud and corruption, which could seriously weaken the effectiveness of government actions,” said a statement from the AGSA. “The value of a real-time audit is derived from a real-time response to the key audit observations and findings by accounting officers and authorities – thereby preventing a recurrence.”

The AGSA's real-time audits showcased insights and outcomes on how covid-19 funding was used. This led to the publication of three special covid-19 reports in 2020 and 2021, encouraging a rapid response to the findings and a means of identifying not just ongoing risks and pitfalls, but also notable improvements. The first real-time special report on the flood relief funding was published in August 2022.

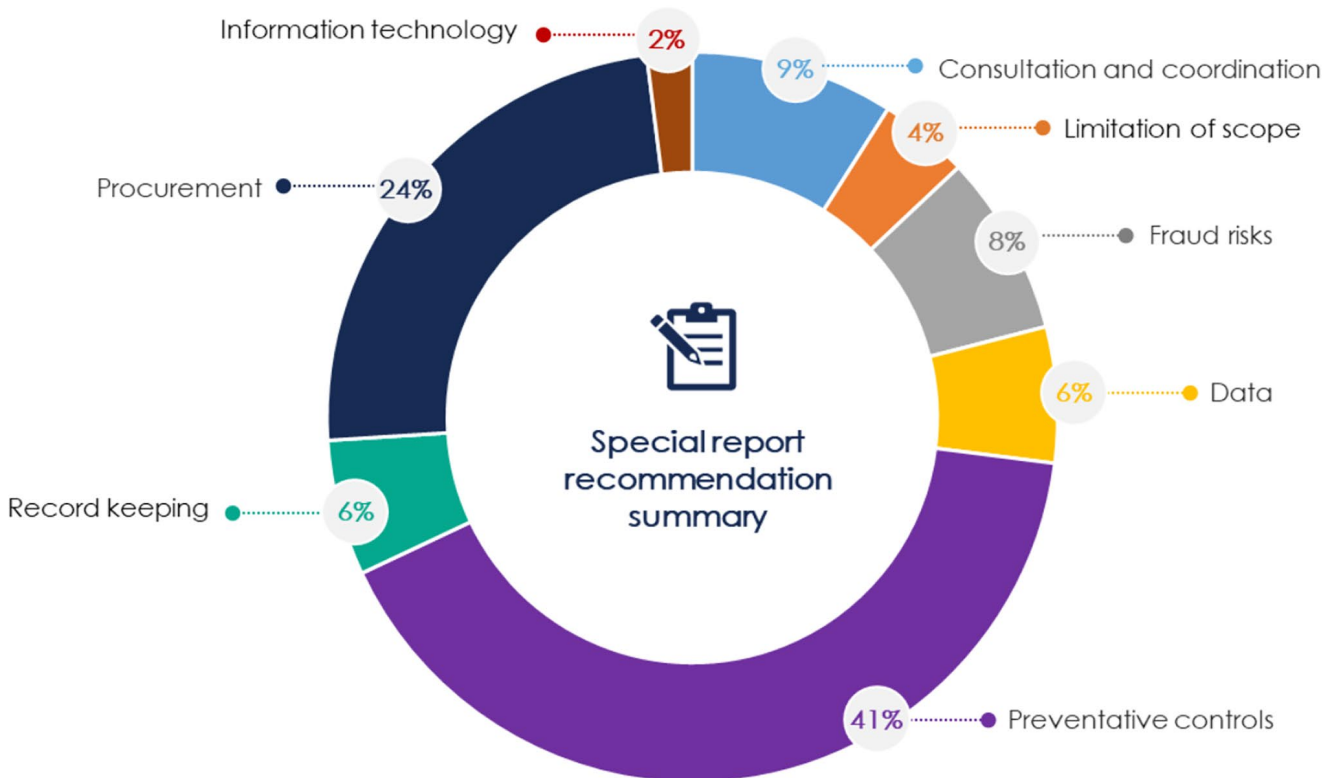
Many of the key findings raised during the covid-19 audits, related to poor procurement and record-keeping processes, omissions and corruption in the distribution of emergency equipment and related grants and funds, as well as price gouging on vital materials and goods needed.

In some instances, this was at a fundamental level of humanitarian aid, such as the distribution of water tanks to schools. Without an accurate analysis of where the tanks were required and follow-up of distribution systems, the AGSA found tanks that were empty, dangerously installed or completely missing, while other schools had received tanks when they had no need for them. Questionable procurement processes could even have led to water being sold at inflated prices.

Similarly, in data management practices, a lack of validation, integration and sharing of data across government platforms resulted in people, including government officials, receiving benefits and grants they were not entitled to. The real-time audits identified a number of network security-related control weaknesses, such as developers who gained excessive access to operational and payroll systems in which they could potentially make unauthorised changes. System access was often not monitored, so not only could unauthorised activities go undetected, but all traces of activity (and hence an audit trail) could simply vanish.

In total, the AGSA issued 259 recommendations based on its covid-19 audits.

Categorisation of 259 recommendations made by the AGSA



Although the expectation was that government would use the AGSA's special reports as a guide to improve current systems, only the South African Social Security Agency (Sassa) significantly improved their systems and processes to the extent that the AGSA raised only limited findings during the flood relief audit. Unfortunately, similar findings were noted in the distribution of water and the provision of temporary residential units (TRUs) to flood victims.

Nonetheless, the quick release of the first covid-19 special report, enabled some government institutions to respond to the findings rapidly, and the AGSA observed better, improved practices during the second phase of the covid-19 audits. After the tabling of the first report, an estimated R3,4 billion in incorrect or invalid Unemployment Insurance Fund (UIF) disbursements was recovered. Improved systems prevented the incorrect calculation of payments to ineligible persons, and instances where these payments still occurred, were significantly reduced. Meanwhile, special-relief-of-distress grants were backdated and paid out to 920 000 applicants among the 2,95 million who had previously been wrongfully rejected.

The real-time audit on flood relief funding again drove immediate corrective action where payments were withheld for mobile school units and TRUs that were not at the required quality or did not meet specifications.

In response to the work conducted on the procurement of personal protective equipment (PPE) and the lessons learnt, as adopted by the national Department of Health, an audit on the procurement of vaccines found minimal financial leakages. This means that funds had mostly been spent on the intended objective, namely procuring and distributing vaccines.

Moreover, the AGSA regularly briefed other members of the Fusion Centre, established in July 2020 by President Ramaphosa to coordinate the efforts of state law-enforcement institutions to prevent, detect and respond to allegations of fraud and corruption in the context of the pandemic. One member, the Special Investigating Unit (SIU), reported to the President that in following up on the SAI's covid-19 audits, they investigated 5,467 contracts worth R14,3 billion and:

- found **63%** of the contracts to be irregular
- detected **R550 million** to be recovered
- identified **386 referrals** for prosecution and **224 referrals** for disciplinary action against government officials
- highlighted **330 referrals** for administrative action, including blacklisting companies.

“ **A real-time audit enables real-time oversight and consequence management, I am proud that, even when our own staff were facing difficult circumstances, the SAI could offer such constructive governance oversight at a time of dire need for the country's citizens.**

Tsakani Maluleke, Auditor General //



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