



Budgetary review and recommendations report (BRRR)

Portfolio Committee on Communications

14 October 2025



AUDITOR-GENERAL
SOUTH AFRICA

MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

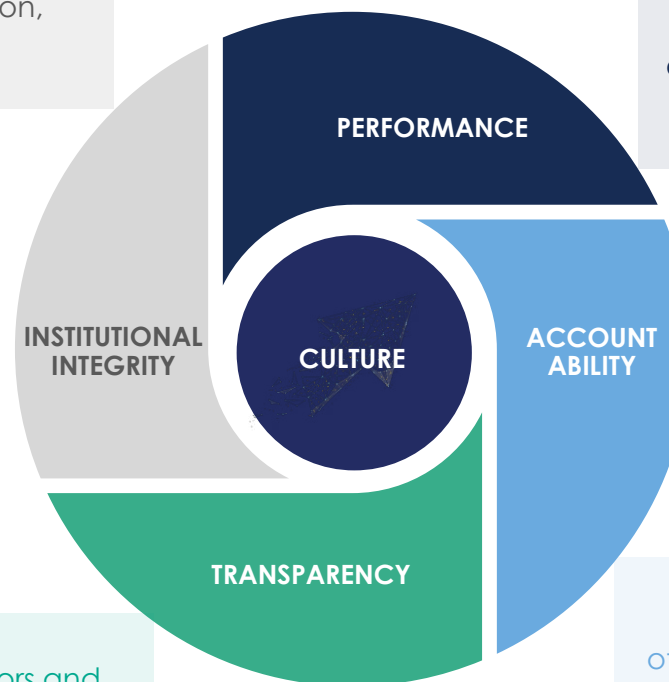


AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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

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



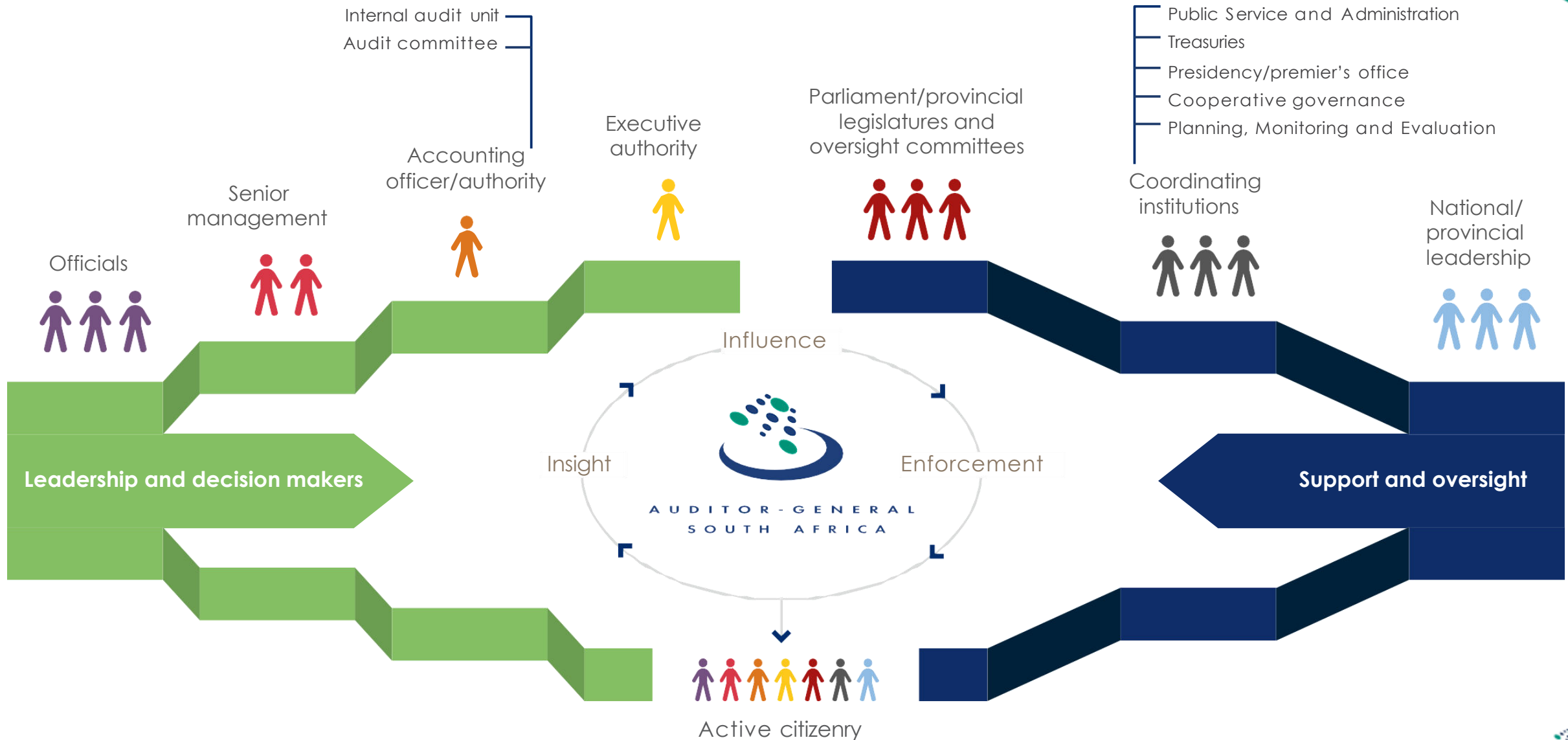
Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

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



All have a role to play in accountability ecosystem

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Department of Communication and Digital Technologies (DCDT)

Regularity
agencies and
constitutional
entities

ICT funded
projects and
programmes

Mail services and
other electronic
/communication
services

Broadcasting
and transmission
services

Training



In 2023-24, we recommended the following:

- ◆ Enhance and/or monitor the implementation/updating of action plans to address the recommendations made. (SABC, SAPO, Postbank)
- ◆ A functioning consequence management system needs to be in place. (SABC, SAPO, ICASA, Postbank)
- ◆ The DCDT to ensure there are regular feedback and monitoring processes on the implementation of the updated turnaround strategies and to focus on securing the required funding to invest in upgrading infrastructure. (SABC, SAPO)
- ◆ Strengthen controls related to proper record-keeping and diligent reconciliations required to support reported financial and performance information. (SAPO)
- ◆ Develop permanent solutions to reduce dependency on business rescue practitioners (BRPs) and ensure sustainable internal controls into the future. (SAPO)
- ◆ Ensure that adequate structures, processes and practices are implemented for the governance of information technology (IT) and ensure a sound IT control environment that is supported by a sound IT infrastructure (Postbank)
- ◆ Strengthen governance and oversight mechanism through the appointment of a permanent board including filling of critical vacancies to ensure stability, stronger strategic direction and improved governance (Sita)
- ◆ Review of the Sita strategic planning document and annual performance plan (APP) to ensure they are responsive to the structural challenges being faced by Sita in delivering its mandate and that the APP is also responsive to the broader challenges faced by government on information and communication technology (ICT).
- ◆ Monitor progress by the board in developing and implementing action plans to improve audit outcomes that are root cause focused and ensure that the plan is assessed for effectiveness in addressing the audit findings (Sita).

Overall reflections on implementation of recommendations:

- ◆ We commend the department for the Integrated Audit Action Plan (IAAP) which includes all entities(except for ICASA) has been developed and monitored quarterly by the audit committee. The effectiveness of the Integrated Audit Action Plan (IAAP) will only be realised in future audit cycles should the IAAP yield positive results.
- ◆ There has been improved consequence management relating to SAPO and SABC due to reduced compliance findings in the current year.
- ◆ We have observed that there is quarterly reporting done by both SAPO and SABC to the department however it was not evident how the turnaround strategies are monitored.
- ◆ There has been some improvements on proper record-keeping but there is still no improvement on diligent reconciliations required to support financial reporting.
- ◆ There is still a level of dependency on BRPs especially on supply chain management (SCM), however, there has been an improved independency in the finance unit.
- ◆ Postbank appointed a chief information officer (CIO) in the current year, however, there remains weaknesses in the governance of the IT control environment as we continue to see repeat findings from the lack of improved processes.
- ◆ The executive authority (EA) has not been able to appoint a permanent Board, we are concerned that the appointment of another interim board in future, may limit the gains made so far.
- ◆ The 54% vacancy rate at executive level (regressed) makes accountability and consequence management challenging
- ◆ The entity is still facing structural challenges affecting its delivery against the mandate and Sita did not achieve on the planned targets.
- ◆ There was an improvement of the audit outcomes from disclaimer to qualified. The financial statements still contained material misstatements.

Overall audit outcomes

2023-24	2	5	3	0	2	0	12
Last year of previous administration							
2024-25	3	4	3	0	1	1	12
Proportion of audit outcomes	25%	33%	25%	0%	8.5%	8.5%	
Expenditure budget R28.3 billion	20.7%	31.4%	33.6%	0%	5.8%	8.5%	

Movement from previous year

4 ▲ 2 ▼

Nemisa

DCDT

Sentech

SABC

FPB

BBI

Postbank

ICASA

Usaasa

Sita

None

SAPO

Submission of financial statements by legislated date remained stagnant from the prior year at 83%

Late submissions

Postbank

Usaf

Outstanding audits

Usaf

◆ Unqualified with no findings (clean)

◆ Unqualified with findings

◆ Qualified with findings

◆ Adverse with findings

◆ Disclaimed with findings

◆ Outstanding audit

▲ Improvement

▼ Regression

Portfolio overall message on overall outcomes

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Overall audit outcome

The portfolio indicated **an overall improvement** with four auditees improving while two regressed. We commend **Nemisa and DCDT** for **maintaining a clean audit** and for **Sentech** achieving clean audit outcome reflecting sound financial management and governance practices. Clean audits are an indicator of good governance, however not all key targets impacting service delivery have been achieved.

ICASA and Usaasa regressed from unqualified with findings opinion to qualified audit outcomes.

Sita moved from a disclaimer to a qualified audit outcome while **Postbank** and **BBI** from qualified to an unqualified audit outcome.

Other entities in the portfolio **remained stagnant** with unqualified audit opinions with findings due to inadequate implementation of prior year action plans.

Key root causes

- **SAPO, BBI, and SABC** are struggling with financial stability as a result there are material uncertainty regarding their ability to continue as a going concern which has been highlighted in the audit report.
- **SABC** – Due to ineffective collaboration between the finance and tax unit, the prior year AFS was not aligned to the opening tax balance. Inadequate records to support consequences management process for fruitless and wasteful expenditure (FEW). Management did not adhere to all the Public Finance Management Act (PFMA) requirements because they believed that the reasons for the occurrence were sufficient to avoid taking further action.
- **Postbank** - Inadequate reconciliation and review of information supporting trade payables and accruals disclosed in the financial statements. The finance unit is not sufficiently capacitated, and the focus was not on basic controls.
- **BBI** - Did not adequately review the annual financial statements before submission for audit to ensure that they were prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the PFMA due to continuous capacity issues .
- **ICASA** – Limitation on the provision for leave due to weaknesses in the leave reporting system that is not aligned to the leave policy.
- **Usaasa** – Key vacancies in the finance department weakened the monitoring and implementation of internal controls which led to key transactions and balance not being reconciled e.g. Travel expenses.
- **SAPO** – High vacancy rates at SAPO undermined financial controls, and although the BRPs use of consultants provided temporary relief, sustainable capacity was not restored. Lack of credible turnaround strategy to support the going concern assumption and inadequate implementation of audit action plans that require the relevant skills and additional funding.
- **Sita** – Management developed a multi-year action plan to address some of the prior year's material audit findings. Due to late finalisation of the audit in the prior year, management did not have sufficient time to address all the significant control deficiencies this resulted in some of the material misstatements not being appropriately corrected and ultimately repeat modification of the audit opinion. Some of the issues identified in the prior year, management decided not to address all of the key issues as the prior audit was finalised late. These matters will form part of the action plan for the next financial year.

-Key recommendations

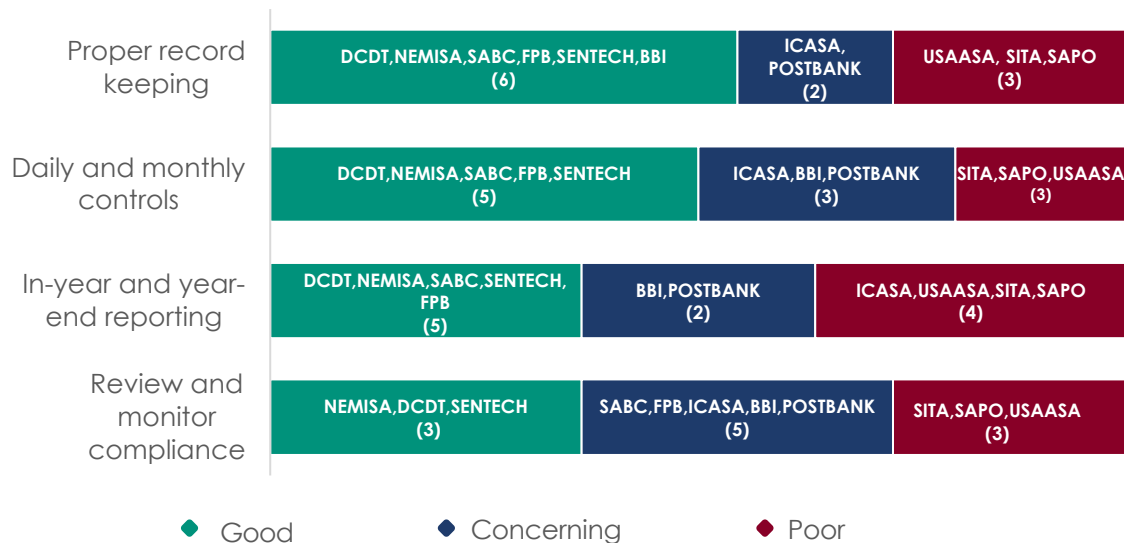
- **Postbank** - The finance team should implement monthly reconciliations between the accounting system and supporting documents across all key balances (for example payables).
- **BBI** - Capacitating the finance team to be able to prepare and review the financial statements timeously.
- **ICASA** - Management should ensure that the leave system is aligned with the human resources (HR) leave policy in order to support reporting. Management should ensure that IT matters are prioritised and addressed. Processes should be put in place in the absence of a fully functional system (to capture the resolution dates on reported cases).
- **Usaasa** - The consistent operation of internal controls should be monitored by the key finance positions that were filled ensuring that key balances. and transactions are timeously reconciled
- **SAPO, BBI, and SABC** to monitor the implementation of the turnaround strategies to improve financial stability of the entities.
- **Sita** - The EA and audit committee should monitor progress on a quarterly basis in developing and implementing action plans that are root cause focused and ensure that the plan is assessed for effectiveness in addressing the audit findings.
- **SAPO** - Appointment of key vacant positions including capacitating finance and SCM team (CEO, COO, CIO and a Board). Prioritisation of the turnaround strategy by those charged with governance to ensure that there is enough funds to invest in infrastructure and fully capacitate SAPO.
- **SABC** - The tax department and finance unit should collaborate so that up-to-date information is used to compute tax calculation. In addition, management should follow up with the employees that are permitting the FWE. Consequence management for non-adherence to defined processes should be clearly outlined and consistently communicated and implemented to adhere with the PFMA requirements.
- The chief audit executive (CAE's) at all entities responsible for the IAAP should collaborate closely with the oversight unit at DCDT to ensure that quarterly monitoring activities are effectively aligned with the IAAP. This joint effort will enhance the overall effectiveness of the portfolio's oversight and facilitate the timely implementation of audit recommendations.



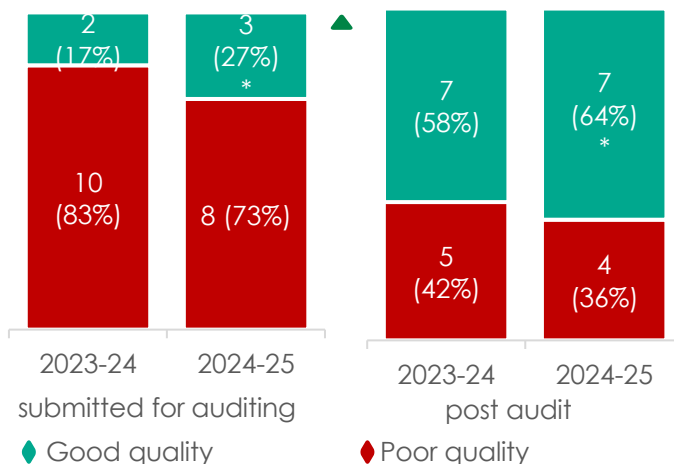
Financial statements – accounting for financial performance

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Financial management controls



Quality of financial statements



* Usaf 2024-25 audit not yet finalised.

Main qualification areas:

- **USAASA**- Expenditure – lack of supporting documents to support travel expenses.
- **ICASA** -Provisions – none alignment of the policy and system.
- **SAPO** – Remains disclaimed with the following areas recurring going concern, trade and other receivables, operating expenditure, prior period error with new qualifications on the retirement obligations and heritage assets.
- **SITA** - Qualified on areas such as PPE, intangibles, deferred tax, prior period error, cost of sales, operating expenditure and trade and payables.

Key observations since previous year

- We commend **Nemisa, DCDT, Sentech & FPB** for submitting AFS that are free from material misstatements
- **SABC**- No improvement in the financial controls for SABC due to material adjustment that led to unqualified audit opinion same as in the prior year.
- **Postbank & BBI**- Improved as a result of the adjustments to financial statements.
- **SAPO** remained with record keeping and financial management challenges which resulted in a disclaimer opinion.
- **Sita** - improved in comparison to the prior year. As management implemented some of the recommendations and provided financial reports that are more reliable and are supported by accurate and complete information.

Impact

- Poor financial record-keeping can lead to mismanagement, audit failures and loss of stakeholder trust, ultimately undermining the organization's financial stability and reputation.
- Lack of accountability and transparency with regards to spending of public funds
- Credible financial reporting.

What caused improvement/regression?

- **ICASA** –None alignment with the policy and system resulting in a reliable source to calculate to provision.
- **Usaasa, SAPO** –Inadequate implementation of the audit action plans and skilled capacity constraints
- **Postbank, Sita** – Adherence to the audit action plans
- **Sentech** – Adequate preparation and review controls resulting in a clean audit
- **Sita** – Key roleplayers within the SITA accountability ecosystem have implemented multi-year action plan which resulted in some of the key recommendations implemented.

Movement from previous year

▲ Improvement

▶ Unchanged

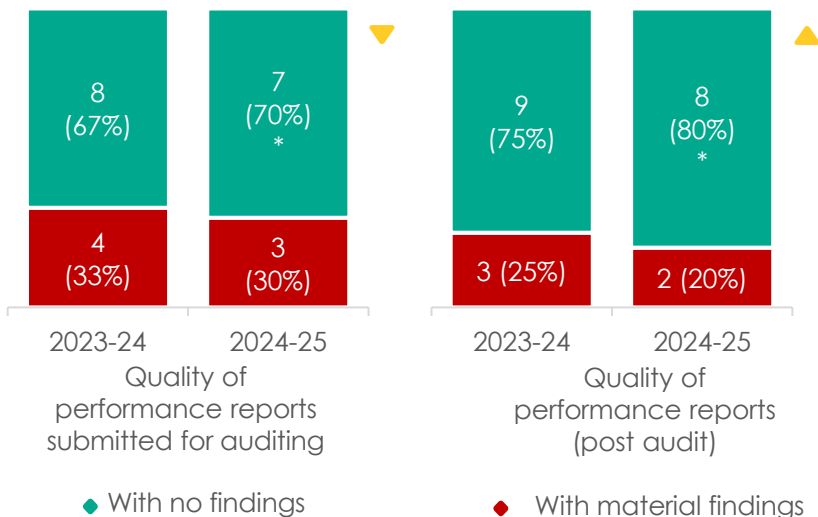
▲ Slight improvement

▼ Slight regression

▼ Regression



Quality of performance reports



Material findings on performance reports

- 25% - Reported achievements **not reliable (ICASA)**
- 25% - Reported achievements **not reliable (SAPO)**

*Usaf 2024-25 audit not yet finalised and Postbank not included in the AOPO audit as the entity is not listed.

Findings caused by:

- Inadequate customer relationship management (CRM) controls were identified i.e. missing resolution dates led cases reported in the incorrect financial year. Correcting adjustments were not made to the APR. **(ICASA)**
- Lack of adequate systems in place to ensure that the reported performances are verifiable, accurate and that there is alignment between the TID and the delivery obligations as per agreements with the customers. **(SAPO)**

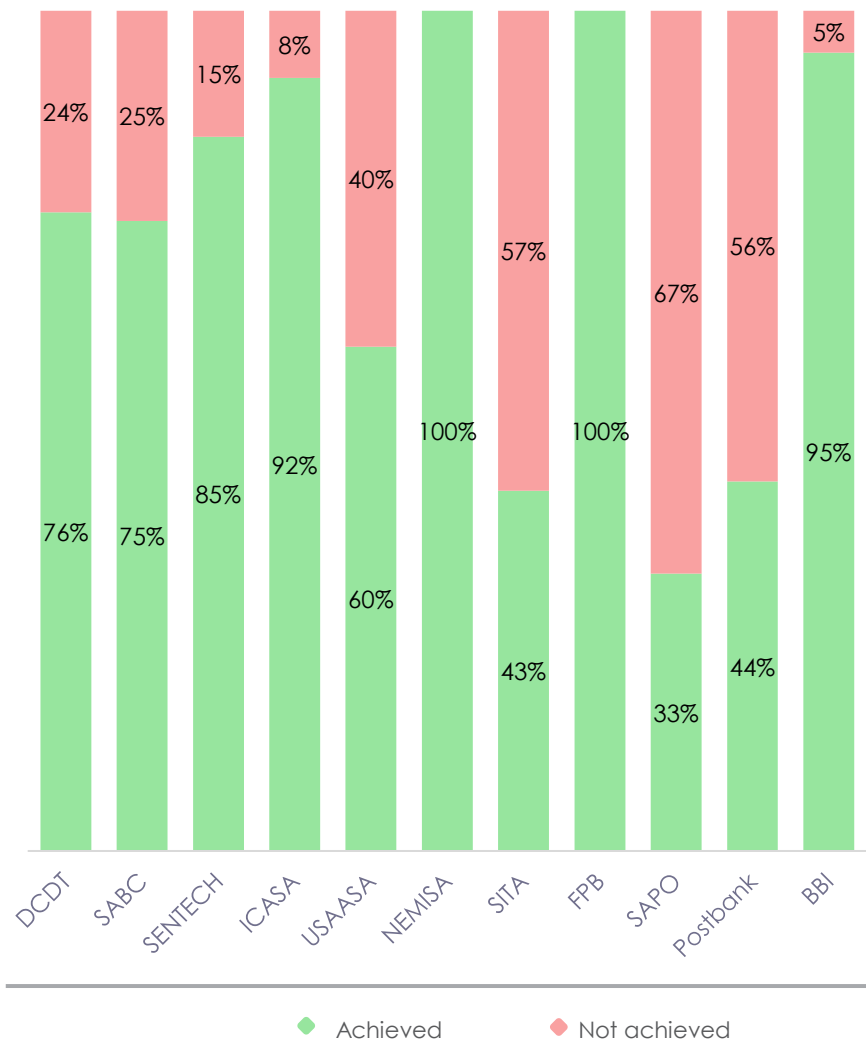
Key observations since previous year

- Sita:** The reported achievements were inconsistent with the commitments made in the approved planning documents, which were subsequently corrected. Furthermore, the entity is not meeting its service delivery targets, this is due to weak performance management.
- SAPO:** The entity is still not meeting a majority of their service delivery targets in the 2024-25 year, this is mainly due to lack of investments in the infrastructure used to ensure service delivery and poor IT infrastructure.
- ICASA:** There was a regression in the current year as misstatements identified in the scoped in programme.
- Postbank:** The audit of predetermined objectives (AoPO) is not included in the scope of the audit as the Postbank (SOC) Ltd is not listed in the schedules of PFMA. The Postbank develops its own annual performance plan, and as an unlisted public entity the Revised Framework for Strategic Plans and Annual Performance plans (Revised FSAPP) and Performance Management and Reporting Framework (PMRF) cannot be used to audit AOPO at Postbank.

Impact

- Errors in annual performance reports erode accountability, lead to poor decision-making based on unreliable data, undermine public trust, and can result in misallocation of taxpayer funds, waste, and a general inability to achieve strategic goals.

Achievement of annual targets as reported in annual performance report (all indicators – 2024-25)



Key targets not achieved

- Section 16 banking license application file updated by 50% or more (**Postbank**)
- Broadband connected households and facilities not achieved as a result of delayed identification of hotspots by internet service providers followed by slower than expected performance from VSAT installers (**Sentech**)
- Percentage of consumer complaints resolved (**ICASA**)
- Various key targets not achieved for ICT Policy Development and Research, ICT Information Society and Capacity Development (**DCDT**)
- Primetime share of television screen ratings for SABC 1 and SABC 2 (**SABC**)
- Targets for key indicators on customer satisfaction and regulated service quality standards objective not achieved due to lack of investments in the infrastructure used to ensure service delivery and poor IT infrastructure (**SAPO**)
- 100% implementation of plan for government public cloud services enabled across multiple hyperscalers (**Sita**)

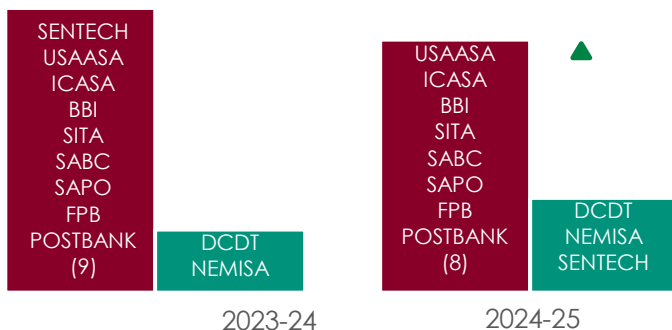
Impact of targets not achieved

- Postbank will not be able to fulfill their full mandate without obtaining their banking license (**Postbank**)
- Non achievement of key indicators raises concerns about Sita's ability to deliver against its mandate and has direct impact on the extent to which departments can effectively and efficiently meet their mandates and results in lack of confidence from stakeholders (**Sita**)
- Failure to achieve these targets delays benefits for the public, weakens oversight, and undermines stakeholder confidence in the department's mandate (**DCDT**).
- With the business rescue in process, investments in the infrastructure required to curb late deliveries and system failures experienced by the different branches. Focus should be on delivering on their mandate and without the necessary capital injection, there will be little to no improvements in the service delivery mandate. (**SAPO**)

Compliance with key legislation

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Compliance with key legislation



- ◆ With material findings on compliance
- ◆ With no material findings on compliance

Movement from previous year

1



0



Improvement

Regression

*POSTBANK is not listed thus the compliance measures are not reported in the audit report

Most common areas of non-compliance	SABC	SAPO	USAASA	SITA	FPB	ICASA	POSTBANK *	BBI
Procurement and contract management		X			X	X	*	X
Quality of financial statements		X	X	X		X	*	X
Prevention of irregular, and fruitless and wasteful expenditure	X	X	X	X		X	*	X
Effecting consequences	X	X	X	X		X	*	X
Strategic planning and performance management		X					*	
State-owned enterprise (SOE) oversight and governance		X					X	
Revenue management				X				
Prepayments were made before goods or services were received				X				

Causes of compliance findings

- Sapo & POSTBANK:** Lack of governance structures resulting in lack of oversight (such as the company secretary and social and ethics committee).
- Sita:** Capacity constraints in internal audit which lead to material findings on consequence management due to determination test/investigations not performed timeously. Lack of implementation of the debt management policy to ensure that all reasonable steps are taken to collect outstanding debt.
- SABC:** Investigations not performed as management believed no one should be held accountable.
- ICASA:** Management did not maintain proper records to support the full implementation of consequence management processes, including the effectiveness of the loss control function.
- BBI:** Investigations into fruitless and wasteful expenditure were not performed while there was an attempt to investigate the irregular expenditure however the exercise was not successful due to quantum of the historic IEFW.
- SAPO:** Investigations were not performed for fruitless and wasteful expenditure as management determined that it was impractical to perform as employees implicated had resigned.
- Usaasa** - No loss control officer to implement the recommendations of the investigations conducted.

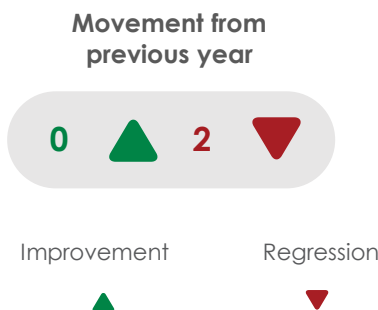
Impact

- There is a continued culture of non-compliance and lack of accountability.
- The non-compliance with laws and regulations hinders the effective functioning of SOEs and entities that will support the country's economic growth.
- Lack of consequence management will create opportunities for irregularities to continue.
- Increase in irregular expenditure.
- Breach of five pillars of procurement – equitable, fair, cost effective, transparent and competitive.
- Employees are not held accountable, resulting in a recurring culture of non-compliance with legislative prescriptions, without consequence.
- Lack of accountability for under performance as the key performance measures for the public entity were not agreed between the accounting authority and the executive authority. **(SAPO)**

Status of compliance with legislation on procurement and contract management



◆ No findings ◆ Non-material findings ◆ Material findings



Causes of procurement and contract management findings

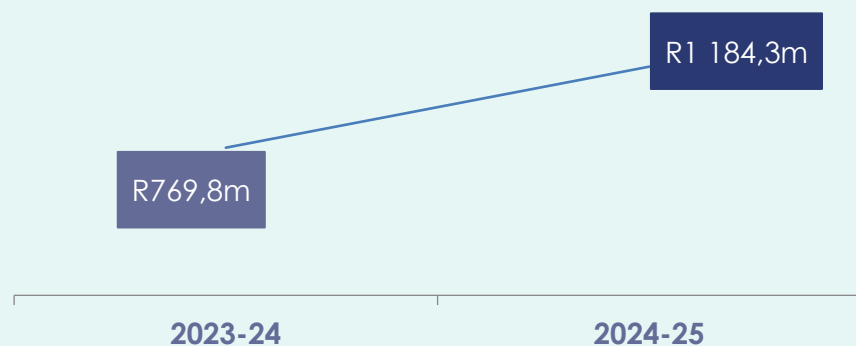
- Competitive bids not advertised for the minimum period due to Improper planning of the rolled over funds resulted in FPB deviating from required number of advertising days. **(FPB)**
- (SAPO & BBI):** Lack of proper understanding of the requirements of the SCM legislation and prescripts.
- Adjudication committee composition not in accordance to policy. **(ICASA)**
- Preference point system not applied in the procurement of some goods and services. **(ICASA)**
- The reasons for deviations did not meet the requirements of National Treasury Instruction Note 3 of 2021/22. **(SAPO)**
- The changes within SCM legislation were not implemented timeously even though training was provided on time and the bid adjudication committee was not constituted in line with the approved policy. **(ICASA)**

Goods, works or services were not procured through a procurement process which was fair, equitable, transparent and competitive.

Detail of procurement findings*	FPB*	SAPO*	BBi*	ICASA
Uncompetitive and unfair procurement processes	R4,5m	R264m	R800,5m	R19,6m
Prohibited awards to employees		R0,6m		
Limitations on audit of awards selected for testing		R0,6m		

*Contract value

Annual irregular expenditure



The increase from the prior year is because of the expenditure incurred on a singular contract at BBI to the value of R800,5m relating to SA connect. Total expenditure of R372m was incurred in the current year.

The expenditure incurred by all other entities is comparable to prior year.

Causes of irregular expenditure

- Services are being rendered without a valid contract (**SITA, Postbank and DCDT**).
- Proper procurement processes not followed (**Sita, BBI SAPO and Postbank**).

Under assessment (To be confirmed)

R178m was disclosed as under assessment by **SABC**

Top contributors

R514m **Sita**

R399m **BBI**

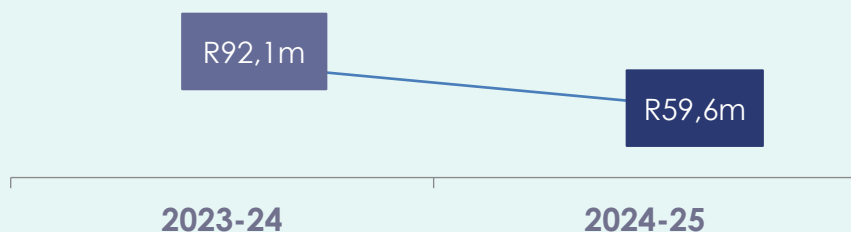
R146m **Postbank**

R73m **SAPO**

Impact of irregular expenditure incurred

- **Breach of five pillars of procurement – Competitiveness, equitable, fairness:** (**SAPO**- R60,7m and **Postbank**- R62,6m: deviations not justifiable), (**SAPO**)-R12,3m, (**Sita** - R24,3m NT pre-approval was not obtained for deviations; R9,3m BEC not constituted in line with SCM policy; R14,7m. Award letters not signed by delegated SCM officials) (**Sita**-R443,4m and **Postbank** - R66,4m services being rendered without a valid contract)
- **Other:** One service provider were incorrectly appointed from the panel (**BBI**: R399m)

Annual fruitless and wasteful expenditure



Causes of fruitless and wasteful expenditure

- Losses from Sassa gold cards that were destroyed, and penalties from Sassa (**Postbank**)
- Content impairment and interest on repeat fees (**SABC**)
- Interest and penalties on statutory and trade creditors (**SAPO**)
- Losses from ISD training on OGBV and car hire costs. (**FPB**)

Top contributors

R35m **Postbank**

R19m **SABC**

R4,2m **SAPO**

R1,3m **FPB**

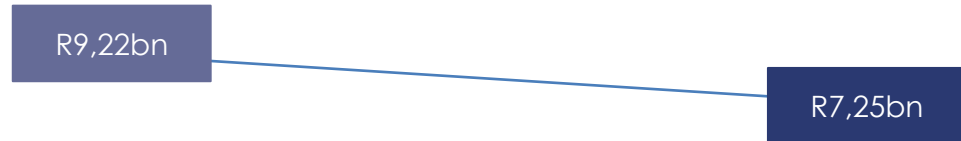
Impact of fruitless and wasteful expenditure incurred

- **Penalties and interest: Postbank:** R7,4m (Penalties levied by Sassa over grant disbursements) and **SAPO:** R3,6m (Penalties and interest charged on late payment of VAT and employees' taxes to SARS and municipal charges)
- **Postbank:** R24,8m (loss incurred in destruction of Sassa gold card chips)
- **SAPO:** R6m (Legal fees on real estates).
- **SABC:** R19m as a result of content impairment and interest on repeat fees.
- **FPB:** R1,3m incurred but no value was received from the expenditure.
- Both **SABC and FPB** incurred losses from expenditure incurred with no value received. Although the R19m loss is not material, this loss further exacerbates SABC's already constrained financial resources as the funds lost could be used where the entity could derive value in return.

Risk: Consequence management – dealing with irregular expenditure

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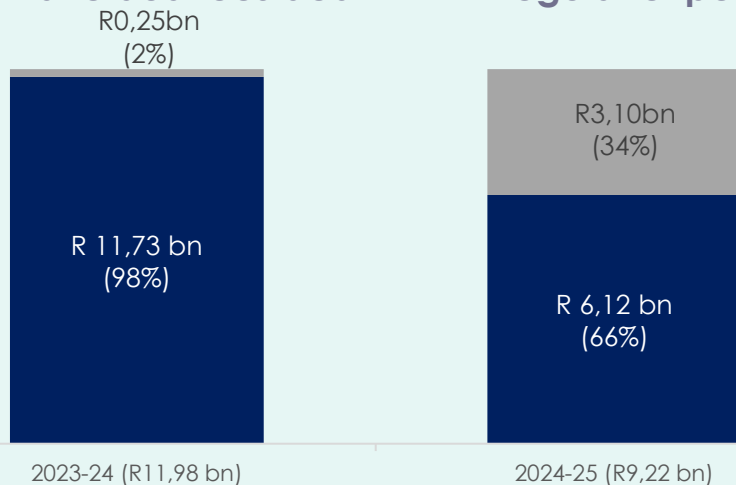
Closing balance of irregular expenditure



2023-24

2024-25

How have auditees dealt with irregular expenditure



Top 3 contributors (R5,7 billion of irregular expenditure not dealt with constitute 93% of R6,12 billion)

R2,48bn SABC

R2,47bn Sita

R0,75bn Postbank

Reasons for IE not dealt with

1. Investigated and awaiting condonement

- R2,48bn awaiting to be written off (SABC)

2. Investigation in progress

- R1,1bn (Sita)

3. Not yet investigated

- Slow turnaround in completing investigation for disciplinary steps to be taken (Sita: R1,88bn)
- Delayed procurement of service provider to investigate irregular expenditure (Postbank :R0,2bn)

- Decrease of R2,54 bn due to write off at SAPO
- R0,289 bn condoned at SABC contributed to the decrease

Risk: consequence management – dealing with fruitless and wasteful expenditure

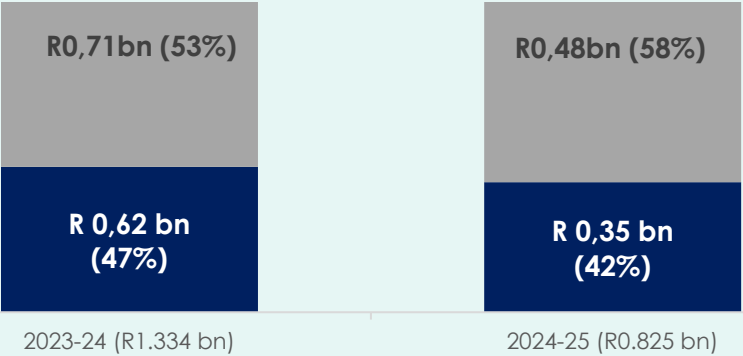
Closing balance of fruitless and wasteful expenditure



2023-24

2024-25

How have auditees dealt with fruitless and wasteful expenditure



Top 3 contributors (R0,252 billion) to fruitless and wasteful expenditure not dealt with constitute 73% of R0,35 billion



Reasons for FWE not dealt with

1. Investigated and awaiting condonement/recovery

- R0,030bn (SABC)
- R0,047bn (Sita)

2. Investigation in progress

- None

3. Not yet investigated

- Delayed procurement of service provider to investigate fruitless and wasteful expenditure R177m (Postbank)
- R0,030bn management believes no one should be held accountable. (SABC)

Decrease of R0,47bn due to write off at SAPO

Revenue



Expenditure



Impact



- Debt-collection period > 90 days at **3 auditees** (BBI, Sita, Sentech)
- Average debt-collection period = **93 days**

- **R59,6 million** of expenditure was **fruitless and wasteful (11 auditees)**
- **Creditor-payment period > 30 days** at **seven auditees**
- **Creditors greater than available cash** at year-end at **three auditees (BBI, SAPO, SABC)**
- **Average creditor-payment period = 239 days**

- **8 (73%) auditees ended the year in deficit** (expenditure more than revenue) (**SAPO, SABC, Sentech, Usaasa, ICASA, Nemisa, FPB**)
- **SAPO** was disclaimed on going concern
- **4 (36%) auditees disclosed significant doubt in financial statements about the ability to continue operating as a going concern** in the foreseeable future (**SABC, Sentech, BBI, Postbank**)

Observations for 2024-25:

- **SAPO** has faced a confluence of factors that have contributed to its dire financial position. SAPO was subsequently put under business rescue. While some strides have been made in reducing debt and improving operational efficiency, SAPO's future sustainability remains uncertain. The lack of full funding has hindered the complete implementation of the rescue plan (business modernisation and new business initiatives), and concerns persist regarding service delivery, especially in rural areas.
- **SABC** completed its three-year turnaround plan, and the bailout funds is fully utilised. The financial position of the entity has not improved. While the entity is technically solvent as its assets exceed its liabilities, it is struggling to settle its debts. SABC experienced a negative operating cash flows from operating activities. Cash decreased to R58m from R401m. The payment practice has affected Sentech's going concern as their main creditor. There is a high non-compliance rate(85%) by TV license holders as well as non-achievement of targeted revenue. Our analysis identified 1 091 518 license numbers linked to non-payment of TV licenses. Of these, a significant portion (801 604 i.e. 73%) was associated with government entities and government officials. Encouraging accountability at this level could not only improve revenue collection but also strengthen the broadcaster's legitimacy and relevance in the public's eyes.
- **Sentech** The entity recorded a net loss mainly due to the increase in expected credit loss of R364m and certain revenue diversification not realised in the current financial year.
- **BBI**: The entity incurred a total loss of R289m for the year ended 31 March 2025 and, as of that date the company's current liabilities exceeded its current assets by R442m whilst total liability exceeds total assets by R301m. These financial indicators reflect factual insolvency and liquidity challenges, indicating a continued inability to meet short-term obligations as they fall due. The cash flow forecast submitted as part of BBI's corporate plan projects ongoing operating losses over the medium term, with no positive cash inflows sufficient to restore solvency or liquidity. The forecast reflects a pattern of continued deficits, growing contract liabilities, and diminishing cash reserves. This sustained negative trend further reinforces the conclusion that the company is unable to self-correct its financial position without immediate intervention.
- **ICASA, Usaasa, Nemisa, FPB** : While deficits are not an immediate concern, attention should be given to those entities making losses.
- **Postbank** is currently financially stable; Its continued sustainability is threatened by the potential not extension of the MSA with Sassa on the payment of social grants on behalf of Sassa. Management has not detailed how it plans to mitigate the loss of significant revenue associated with the MSA. Postbank has been losing customers and has also not gained any new customers recently because of the variation notice issued by the South African Reserve Bank.

Key findings: Information technology (IT) environment

18

- Critical areas such as user access management, change control, system security, and cyber resilience require focused improvement (**SABC**)
- There has been a slight improvement in controls for **Postbank** primarily driven by an initiative aimed at addressing the MIs. This has seen the bank obtain PCI-DSS certification on a component of its processes and experienced a reduction in reported cyberattacks. Despite these improvements there remain key control deficiencies:
 - Poor contract management, services rendered without contracts concluded and services not monitored
 - Control weaknesses on the card management processes
 - Penalties incurred for R26 million on the use of unlicensed software.
 - No fraud management system
 - The Sassa payment and account opening files are processed in a clear text format without verification and confirmation controls
- There were no improvements to the IT environment for **SAPO**
- Inadequate ICT governance processes and IT control deficiencies contribute to the weakened institutional capabilities (**Sita**)

What we found

- High dependency on cyber security service provider (**Postbank**)
- Assets procured as part of the IT modernisation project were not utilised (**Postbank**)
- Core banking system operating on an outdated version (**Postbank**).
- No automated reconciliation between Postbank and the clearing house (**Postbank**)
- Lack of critical skills such as cybersecurity (**Postbank, SAPO**)
- Weak cyber security controls continue to expose the entities to cyber security threats (**Postbank, SAPO, SABC, Sita**).
- Ageing and fragmented IT environment (**Postbank, SAPO, SABC, Sita**).
- Unsupported legacy systems
- Disaster recovery and backup restoration testing not performed (**SAPO**)
- Inadequate governance processes, tools and capacity to support the mandate of the entity (**Sita**)

Causes of findings

- Delays in the upgrading of the operating systems and databases (**SAPO, SABC, Postbank**).
- Previous leadership instabilities lead to decisions made without proper assessment (**Postbank**)
- Ineffective IT steering committee (**Postbank**)
- There is no implementation of governance principles to facilitate oversight on IT controls (**Postbank**)
- No enforcement of standard operating procedures (**Postbank**)
- Outdated IT infrastructure that is not competitive in the current environment/ market (**SABC, SAPO**)
- Outdated IT infrastructure that is not competitive in the current environment/ market (**SAPO**)
- The CIO support structure is not in place and as a result, ICT governance processes are not in the line of sight of the Board, again failing to provide strategic direction on this critical process (**Sita**)

Impact

- Legacy system and or unsupported systems expose the entities to known vulnerabilities that can be exploited (**Postbank, SAPO and SABC**).
- Value may not be derived from investments in technologies that are not utilised resulting in financial loss (**Postbank**)
- Not implementing controls or cultivating a culture of enforcing controls exposes the bank to unauthorised activity, data integrity issues (**Postbank**)
- Service delivery challenges (delayed procurement, interruptions to the network services and services that are not future-fit (**Sita**))





Recommendations to the accounting authorities (AA)

Key recommendations to AA/ executive authority

- The board of the **Postbank** should hold the executive management accountable on the timely implementation of the requirements of the variation notice, closing of the previously raised material irregularities, upgrading of systems and the overall improvement of the IT control environment.
- Ensure the establishment and operational effectiveness of governance mechanism that facilitate enhancement and implementation of IT controls and institute appropriate consequence management for non-compliance or lack of controls (**SAPO, Postbank**)
- Expedite the implementation of the recently approved IT strategy (**Postbank**)
- Ensure that all individuals involved in key management, including third-party specialists, sign valid non-disclosure agreements and are subject to regulatory and internal compliance requirements (**Postbank**)
- Finalise the collection and deactivation of remaining Sassa gold cards to reduce the risk of misuse (**Postbank**)
- Update the PCI DSS scope to include the entire card storage and replacement process, ensuring that black card storage is covered under the compliance framework (**Postbank**)
- Prioritise modernisation of legacy and unsupported systems to reduce vulnerabilities and align infrastructure with business needs (**SAPO, SABC**)
- Capacitate the CIO function and the Board to monitor strategic plans and progress through the annual performance plans (**Sita**)
- Implement adequate ICT governance processes to provide clear strategic direction and enhance internal capabilities that will enable and support the mandate of entity (**Sita**)

Effectiveness of internal audit units

- Internal audit continued to perform planned audits even without an audit committee in place. This assisted the entity to continue observing areas of improvement throughout the financial year. The unit reported to the BRPs monthly and continued relevant engagements with the acting CEO, providing assurance to the entity **(SAPO)**
- The internal audit unit has been stable over the years and provide assurance as required **(DCDT, SABC, POSTBANK, FPB)**
- The Internal audit function reviewed the annual financial statements, performance information as well as the processes followed with respect to compliance before submission of this information to external auditors to provide reasonable assurance. However, there were material misstatements identified during the audit process. **(Sita)**
- Internal audit used for direct audit assistance, however high-level review on AFS prior to submission for audit can be improved to prevent regressions in audit outcomes **(ICASA)**

Effectiveness of audit committees

- We commend all audit committees in the portfolio for diligently fulfilling their legislated responsibilities. However, **despite the presence of stable audit committees, the audit outcomes regressed (Usaasa and ICASA)** and the quality of AFS submitted were poor due to material misstatements identified through an audit process **(POSTBANK, BBI, ICASA, Usaasa, Sita, SAPO)**
- The committee was effective in performing their legislated duties and contributed to entities sustaining clean audit outcomes **(Nemisa and DCDT)**
- The **audit committee was not in place** at year end to review the AFS and provide an authoritative and credible view of the entity, its efficiency and effectiveness as well as its overall level of compliance with the applicable legislation. The absence of a board has resulted in key committees not being in place **(SAPO)**
- Audit committee be re-evaluated and capacitated in line with the requirements of the Companies Act 71 of 2008 and vacancies to be filled timeously **(Sita)**
- We recommend audit committees of **SABC, SAPO, Postbank, Usaasa, Sita, ICASA and BBI** to request regular updates on progress made to clear historic IEFWE and address consequence management.

Institutional capability

Vacancies

- **SAPO** - Key executive positions remain vacant (CEO, COO, CIO). While there are individuals acting in this capacity the leadership instability compromises directional clarity during the critical turnaround phase. These vacancies hinder strategic decision making and day to day operational oversight. A board has not been established.
- **SABC** – The position of the CFO has not yet been filled, however there is an experienced finance official acting in this capacity.
- **POSTBANK** – The high vacancy rate continues to affect the operations at the public entity, hindering the public entity's ability to grow operationally and achieve the planned objectives.
- **SITA** – 54 % vacancy rate at exco level the positions of the managing director, COO, CIO and CDO should be filled as a matter of urgency. Instabilities in these key positions result in governance issues for the entity.



Institutional capability

Sita (continued from previous slide)

- Instability and changes in leadership/board impacts Sita's ability to instill a culture of service delivery and strategic direction. This resulted in the lack of coherent strategies that does not fully respond to structural challenges and improved institutional capabilities required for delivering on the mandate and to ensure service delivery.
- Tools to support the effective and efficient provision of ICT services are not in place, the current procurement processes are manual and systems are not integrated which presents inefficiencies.
- Persistent challenges around procurement were noted. We were able to highlight specific examples of auditees impacted by prolonged procurement processes. Formal tasking letters issued by several departments, requesting critical ICT goods and services, had remained unfulfilled for extended periods.
- We noted instances of unmet Service Level Agreement (SLA) targets for site router reachability and availability as well as inadequate bandwidth management and monitoring for some departments that were assessed.
- SA Connect budget was made available by DCDT in the last quarter of the financial year and continued to be delayed, impacting access to internet connectivity of citizens (schools and clinics).
- Delayed modernisation of internal system and infrastructure: Delays in upgrading critical ICT infrastructure (i.e. finalising the upgrade of data centres that host government systems)
- Going forward, Sita's strategy will need to be aligned to the current and future needs of government, as outlined in the digital roadmap. In this context, we challenged the appropriateness of some services (i.e. single point of network failure that results in network/system outages for critical service delivery departments, services not proactive in identifying the needs of government and timely responding to those needs).

We have long reported on **pervasive mismanagement/leakage of public funds without consequences** and our **audit recommendations not receiving the required attention**, with little or no improvement noted in the *status quo*, leading to our relevance being questioned

Public outcry for increased **accountability and transparency**, saw calls from parliamentary oversight structures, civil society, organised labour, media and the public at large for the **AG to be empowered to hold accounting officers** entrusted with public funds **accountable for their actions**

Original expanded mandate now finding its basis in our strategy

Enforcement

Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing – **#cultureshift2030**

Material irregularity



means any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the **misuse or loss of a material public resource**, or **substantial harm to a public sector institution or the general public**.

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

1

Refer material irregularities to relevant public bodies for further investigation

2

Recommend actions in audit report to resolve the material irregularities

Take binding remedial action for failure to implement recommendations

3

Issue certificate of debt for failure to implement remedial action if financial loss was involved

Overall aim of our expanded mandate:

Instil a culture of accountability

Improve the protection of resources

Enhance public sector performance and encourage an ethical culture

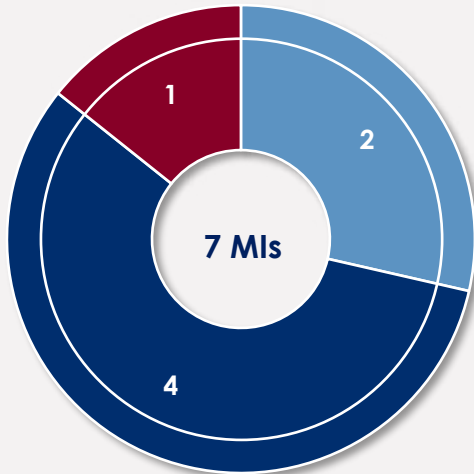
Strengthen public sector institutions to better serve the people of South Africa

Enable effective oversight

MI process implemented and MIs identified

23

Nature of MIs



● Procurement and payment

● Interest and/or penalties

● Failure to maintain an effective system of internal control resulting in financial loss



Actions taken by auditees

R0m

Prevented financial loss from taking place

R1,4m

Financial loss in process of recovery

R0,05m

Financial loss recovered

1

Responsible officials identified and **disciplinary process** completed or in process

5

Investigations instituted

0

Stopped supplier contracts where money is being lost

5

Internal controls and processes improved to prevent recurrence

Observation from MI process

- IGPS system was decommissioned in September 2024 (Postbank)
- The financial losses continued to be suffered (Postbank)
- Internal controls strengthened as a result of the MIs raised, however there remain deficiencies that require attention (Sita and Postbank)

Recommendations for portfolio committee:

- To request progress feedback so that the committee can monitor whether department is on track in achieving desired outcomes/ recover potential/ actual financial losses to address the identified material irregularities.
- To request the department to provide quarterly updates on the implementation of effective consequence management processes and update of internal controls that resulted in the weaknesses.
- Ensure that the entities are also reporting to the committee on the rectification/ improvement of internal controls that resulted in the weaknesses which informed the MIs.



Overall message to portfolio committee



AUDITOR-GENERAL
SOUTH AFRICA



Root causes and recommendations to the accounting officers/ authorities (AO/AA)

Key root causes for outcomes in portfolio in the internal control environment

- Unfilled key vacancies (such as on the loss control committee and CEO at Usaasa; IA, MD, COO, CIO and CDO at Sita; CEO, COO, CIO, SCM and a board at SAPO; key vacancies at BBI) and lack of skill in the relevant units.
- Inadequate and ineffective implementation of the consequence management at some auditees.
- **Postbank** - Monthly reconciliations between the accounting system and supporting documents across all key balances not adequate.
- **BBI** - Review not performed on financial statements at the right level to ensure alignment with IFRS and the PFMA.
- **ICASA**- Systems used for financial and performance reporting not producing reliable information that supports preparation of reliable financial and performance reports.
- **Usaasa** – Inconsistent implementation and monitoring of internal controls as a result of instability in key finance positions.
- **SAPO, BBI, and SABC** - turnaround strategies at SOE's not adequately monitored and implemented.
- **Sita** - Progress on action plans not adequately monitored a quarterly basis by the audit committee and minister. Action plans not root cause focused to address audit findings.
- **SABC** – Collaboration between finance and tax units was not effective to prevent errors in the financial statements.
- **Sita and SAPO** - Stability, stronger strategic direction and governance lacking as a stable board not constituted.





Root causes and recommendations to the accounting officers/ authorities (AO/AA)

Key recommendations to AO/AA/ executive authority

- Fill key vacancies (loss control committee at Usaasa; IA, MD, COO, CIO and CDO at Sita; and CEO, COO, CIO and a board and SCM at SAPO; and SCM at BBI) and upskill the relevant units.
- **Postbank** - The finance team should implement monthly reconciliations between the accounting system and supporting documents across all key balances (for example payables). Continue to modernise the IT environment to support the operations.
- **BBI**- Review of the financial statements at the right level ensuring that they are aligned with IFRS and the PFMA
- **ICASA**- Management should ensure that the leave system is aligned with the HR leave policy in order to support reporting. Management should ensure that IT matters are prioritised and addressed. Processes should be put in place in the absence of a fully functional system (to capture the resolution dates on reported cases)
- **Usaasa** -The consistent operation of internal controls should be monitored by the key finance positions that were filled ensuring that key balances and transactions are timeously reconciled.
- **SAPO, BBI, and SABC** to monitor the implementation of the turnaround strategies to improve financial stability of the entities e.g. funding for supporting operations and IT infrastructure.
- **Sita**-The EA and audit committee should monitor progress on a quarterly basis in developing and implementing action plans that are root cause focused and ensure that the plan is assessed for effectiveness in addressing the audit findings.
- **SABC**: The tax department and finance unit should collaborate so that up-to-date information is used to compute tax calculation. In addition, management should follow up with the employees that are permitting the FWE.
- **Sita and SAPO**: Strengthen governance and oversight mechanism through the appointment of a permanent board to ensure stability, stronger strategic direction and improved governance.
- Consequence management for non-adherence to defined processes should be clearly outlined and consistently communicated and implemented to adhere with the PFMA requirements.
- The CAEs at all entities responsible for the IAAP should collaborate closely with the oversight unit at DCDT to ensure that quarterly monitoring activities are effectively aligned with the IAAP. This joint effort will enhance the overall effectiveness of the portfolio's oversight and facilitate the timely implementation of audit recommendations.





Monitoring and regular follow-up with the executive authority and the accounting officer/ authority on:

1

Follow up **on all action plans** per entity to ensure AGSA's recommendations are tracked and internal controls are strengthened, which will include:

- Implementation for **proper record-keeping and reconciliations** for all quarterly reports which will effectively feed into financial statements.
- **Continuous monitoring of compliance with laws and regulations** relating to expenditure management and consequence management processes to ensure that perpetrators are held accountable.
- Monitor and follow-up on the **progress of key targets not yet achieved** and ensure that there are **adequate plans to fast-track the performance** of the department and its entities.
- Request feedback from the entities and department on **progress of audit action plans implemented** to address IT governance issues , IT control deficiencies and cyber security challenges.

2

- Follow up to ensure that **the implementation of updated turnaround strategies and initiatives to drive financial sustainability** within the portfolio.
- Support the minister with processes required to finalise the SABC Bill (funding model for SABC)
- Follow –up on the **progress to appoint critical management positions** to ensure leadership stability and directional clarity is established.

3

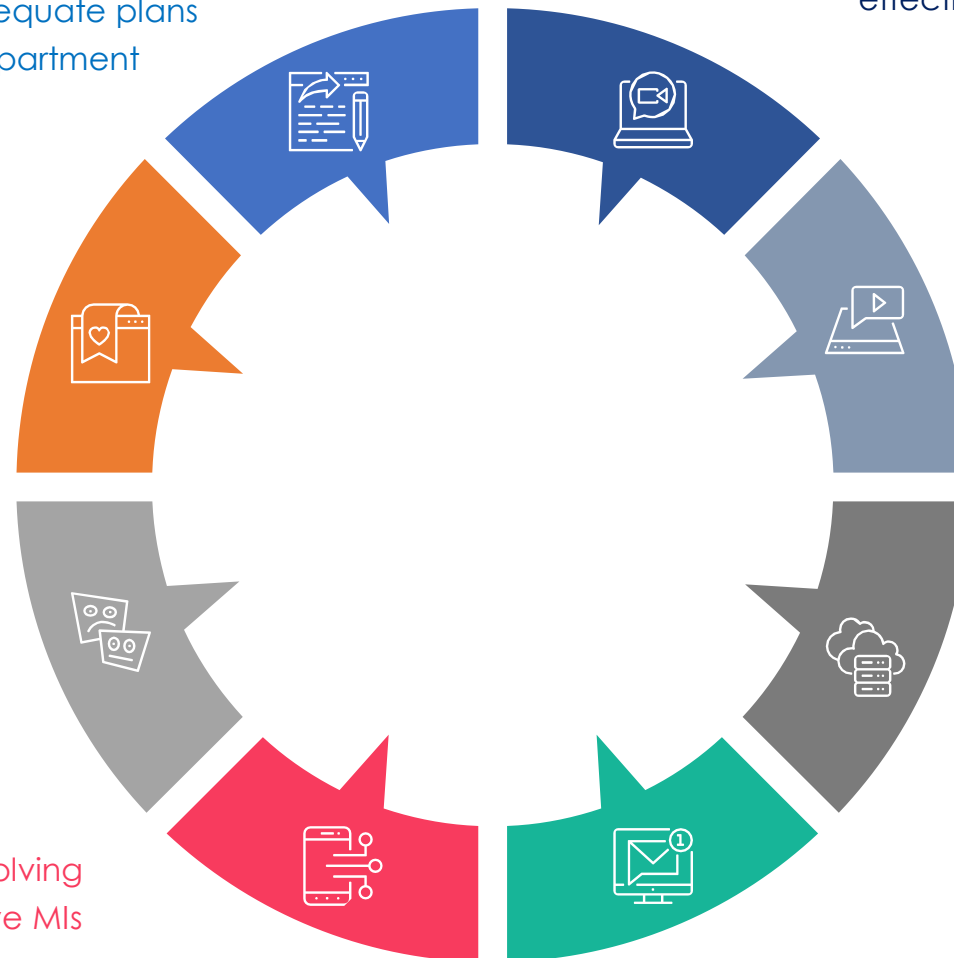
Ensure that the entities are also reporting to the committee on the **rectification/ improvement of internal controls** that resulted in the weaknesses which informed the material irregularities.

Monitor the progress of **MTDP targets not yet achieved** and ensure that there are adequate plans to fast-track the performance of the department and its entities

Encourage auditees to submit **annual performance plans on time for proactive reviews** to ensure compliance with the Revised Framework for Strategic Plans and Annual Performance Plans

The executive authorities should insist on timely and credible reporting and accountability, and should play an oversight role effectively and with greater impact

Monitor **entities' progress** in resolving active MIs



Accounting officer develop and implement **action plans** that is root cause focused and is assessed for effectiveness in addressing the findings

Receive feedback on the **implementation of the action plans developed** to address audit findings

Use information in the **general report and material irregularities report** for accountability and oversight purposes, insisting on timeous implementation of recommendations

Perform **regular follow-ups** with the accounting officer/ authorities and monitor the development and implementation of **preventative controls** to deal with compliance with laws and regulations.

Obtain commitment and monitor implementation thereof on the **investigation and consequence management** required on IFWE





Annexure Presidency: GCIS and MDDA



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Overall audit outcomes

2023-24	1	0	1	0	0	0	2
Last year of previous administration							
2024-25	2	0	0	0	0	0	2
Cut-off date: 31 August 2025							
2024-25	100%	0%	0%	0%	0%	0%	
Expenditure budget R873 million							
	100%	0%	0%	0%	0%	100%	

Movement from previous year

1▲0▼

• GCIS
• MDDA

• None

• None

• None

• None

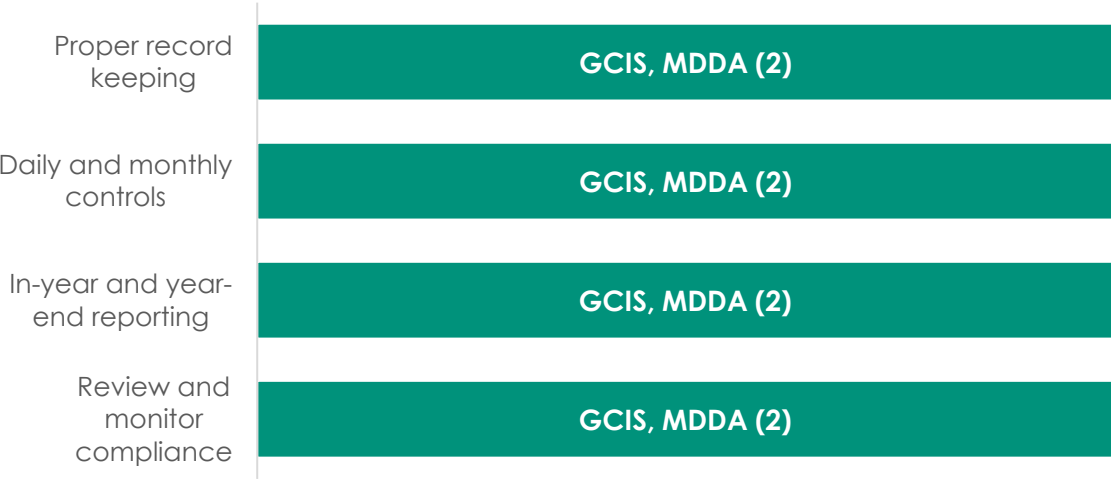
Submission of financial statements by legislated date remained at 100%

Outstanding audits

- No audit were outstanding.



Financial management controls

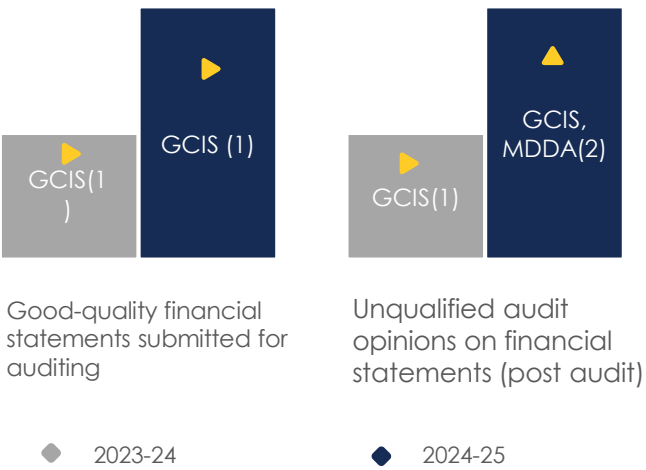


◆ Good ◆ Concerning ◆ Poor

Key observations since previous year

- **GCIS** - We comment GCIS's management for again obtaining a clean audit (unqualified without findings) outcome
- **MDDA** - improved from qualified with findings to unqualified with no findings. Management implemented the recommendations and submitted AFS that are free from material misstatements

Quality of financial statements



Impact

- MDDA and GCIS - There were no material misstatements identified in the current year as management has submitted credible AFS.

Main qualification areas:

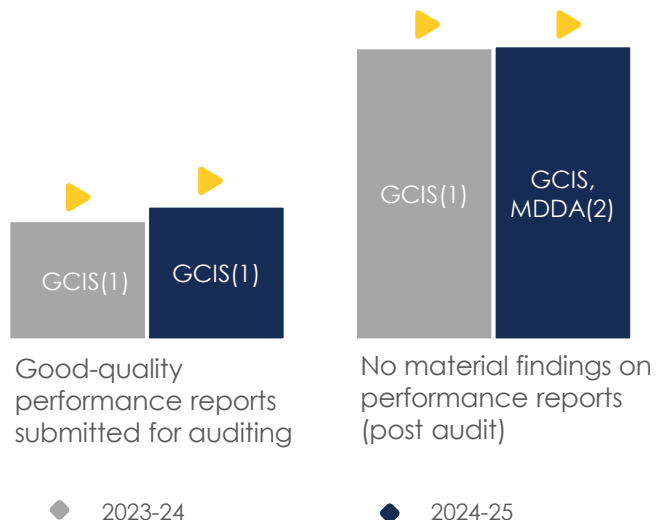
- No qualifications areas for GCIS and MDDA

What caused improvement?

- **MDDA** - Management capacitated the finance unit and ensured that there is capacity to implement and maintain controls around the daily and monthly processing and reconciling of transactions
- **MDDA** - Management ensured that all underlying records are complete and accurate on a monthly basis.



Quality of performance reports



Material findings on performance reports

- Accuracy difference on reported achievements

Findings caused by:

- Management did not prepare regular, accurate and complete performance reports that are supported and evidenced by reliable information.

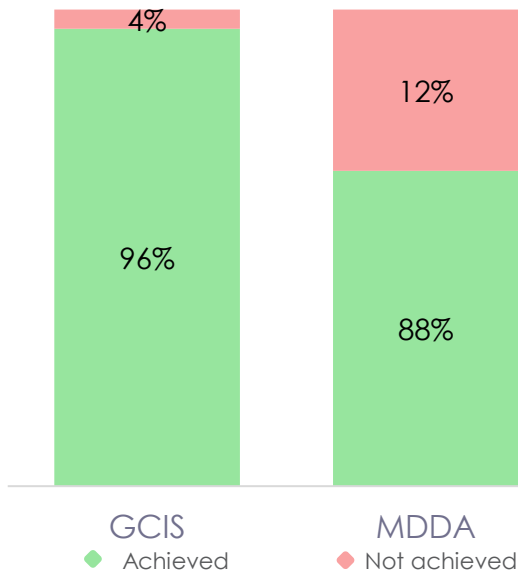
Key observations since previous year

- MDDA – Material misstatement were identified on a different programme (Programme 2 – Grant and seed funding) compared to the previous year (Programme 3 - Partnership, public awareness and advocacy), which can be
- GCIS – We again commend management for submitting the performance report that is free from material misstatements.

Impact

- MDDA - Several findings were raised on Programme 2 – Grant and seed funding, for which management has agreed and amended the annual performance report. The findings all relate to the reliability of the reported achievements under this programme. As the material misstatements were corrected by management, we did not report material findings in the audit report.

Achievement of annual targets as reported in annual performance report (all indicators – 2024-25)



Key targets not achieved

GCIS

- Indicator: Number of hours of content/broadcast per week on the government service delivery OTT platform. Target: 6

MDDA

- Indicator: Number CSCM audience measurement research conducted. Target 3
- Indicator: Unqualified audit opinion

Key observations

- Management embarked on activities which include media workshops, government integrated plans, media buying webinars, and communication forum in order to inform and influence other government entities to utilise their services for a more cost effective and optimal government advertising approach
- Although most national government department and entities do not use GCIS, we commend the department for its efforts
- GCIS has an opportunity to continue influencing other government department and entities to make use of the department for their media-buying services through their marketing and exhibitions.

Impact of targets not achieved

- GCIS – Less provision of content on service delivery information.
- MDDA – Not able to measure the audience on community and small commercial media (CSCM).

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