

Budgetary review and recommendations report (BRRR) 2025-26

Portfolio Committee on Communications
and Digital Technologies
02 October 2026



MISSION

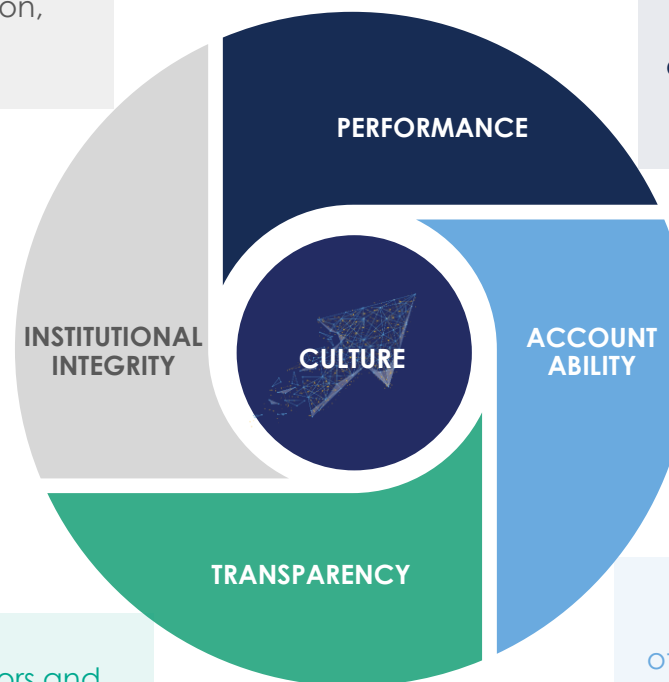
The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

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**

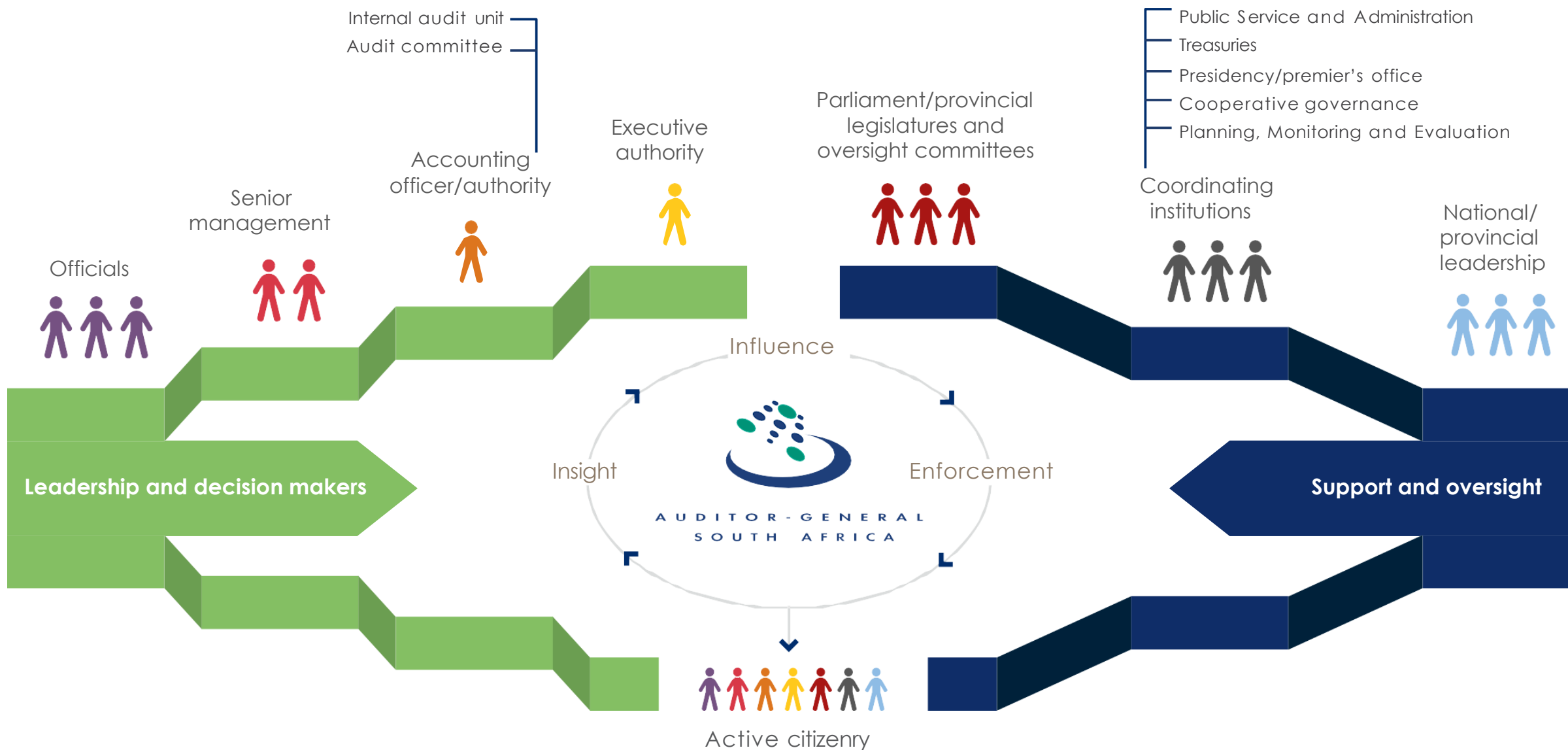


Provide public, oversight, auditors and other stakeholders with **timely, relevant and reliable information on institution's finances, performance, use of resources and compliance with legislation**

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 the accountability ecosystem

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Department of Communication and Digital Technologies

Regulatory agencies
and constitutional
entities

Funded digital projects
and programmes

Media services and
other electronic and
communication
services

Broadcasting and
transmission services

Training



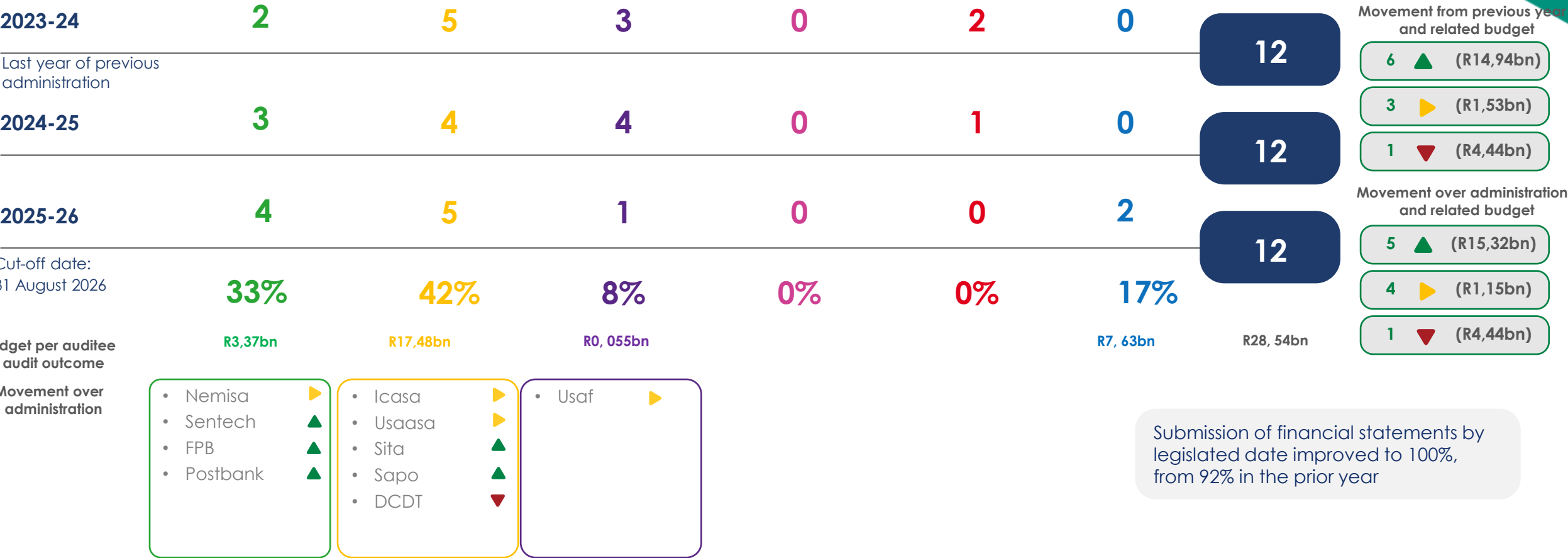
In 2024-25, we recommended the following:

- ◆ **Strengthen governance and oversight mechanisms** through the appointment of a permanent board to ensure stability, stronger strategic direction and improved governance. **(Sita and Sapo)**
- ◆ **Address critical leadership and skills capacity gaps** by filling key vacancies and strengthening capabilities in governance, finance, SCM and ICT. **(Acting incumbents in leadership positions at Usaasa, Sita and Sapo)**
- ◆ **Improve internal controls, financial reporting, and compliance** through effective monitoring of audit action plans, implementation of audit recommendations, timely reconciliations, and robust financial statement reviews. **(Postbank, Icasa, Usaasa, Usaf, Sita, SABC and BBI)**
- ◆ **Accelerate ICT modernisation and systems improvements** to support operational efficiency, reliable reporting, and stronger control environments. **(Postbank and Sapo)**
- ◆ **Improve financial sustainability and organisational resilience** through effective implementation of turnaround strategies, sustainable funding initiatives and ongoing monitoring of financial recovery plans. **(Sapo, BBI and SABC)**

Overall reflections on implementation of recommendations:

- ◆ A **permanent board was appointed at Sita**, strengthening governance and oversight. **At Sapo, the business rescue practitioners (BRPs) continued to serve as the accounting authority**, as a board had not been appointed during the year.
- ◆ **There was limited progress in filling critical vacancies**, with several key leadership and governance positions still vacant at Sapo, Usaasa and Sita, although Icasa filled its ICT executive position and Sita appointed an acting CIO.
- ◆ **Financial management controls strengthened** at some entities, including monthly reconciliations at Postbank and improvements in financial reporting at Sita, although control weaknesses remain. Improvements in audit outcomes at 6 entities **(FPB, Postbank, Icasa, Usaasa, Sita and Sapo)**
- ◆ **Slow progress in ICT modernisation**, with Postbank and Icasa taking steps to address system-related challenges, but significant IT and operational limitations remain. No significant progress at Sapo.
- ◆ **Financial sustainability remains a key risk**, particularly at Sapo, where reliance on government grants continue and turnaround initiatives have not yet delivered sustainable revenue growth and positive operating cash flows.

Overall improvement in audit outcomes



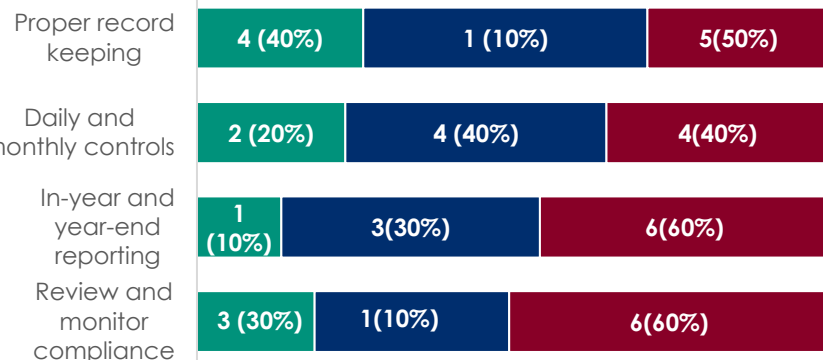
Outstanding audits

- **BBI:** Anticipated sign off date is 30 September 2026; Delay attributable to the late **finalisation of auditor appointments**
- **SABC:** Anticipated sign-off date is 30 September 2026, pending the **resolution of disputes**.

Financial statements – accounting for financial performance

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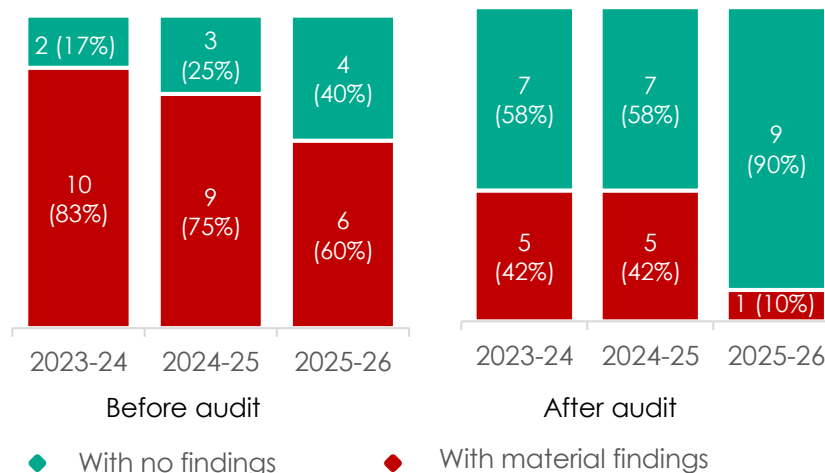
Financial management controls



Key observations

- We commend **Postbank, Nemisa, Sentech and FPB** for submitting financial statements that are free from material misstatements.
- Sapo** – Reliance on consultants to address technical accounting skill gaps increases the risk of unsustainable financial reporting practices and limits management's ability to independently produce quality financial information.
- Usaf** – Inadequate implementation of action plan to address repeat qualifications over 7 years due to poor internal controls implemented to properly account for inventory balances and the movement of inventory.
- DCDT** – over-reliance was placed on one the preparation of financial statements as a key control, the supporting controls by other parties were not adequately performed.
- Sita** – While the audit outcome improved, the unqualified opinion was dependent on extensive corrections made during the audit process rather than on the strength of the financial reporting controls operating throughout the year.

Quality of financial statements



Main qualification areas – Usaf:

Inventory balances could not be verified due to inadequate records and supporting documentation, resulting in a material limitation of scope.

Inventory written off could not be verified.

BDM Projects installations and redemptions of the prior year could not be verified due to poor internal controls.

Causes of financial reporting weaknesses

- Usaf:** Management did not maintain an accurate inventory register to effectively record inventory installations and redemptions and inventory balances at year end.
- Icasa, Usaasa, Sapo, Sita, DCDT:** Inadequate review and oversight of the financial reporting process resulted in poor quality financial statements and supporting schedules that could be corrected during the audit process resulting in the unqualified audit opinion.

Impact

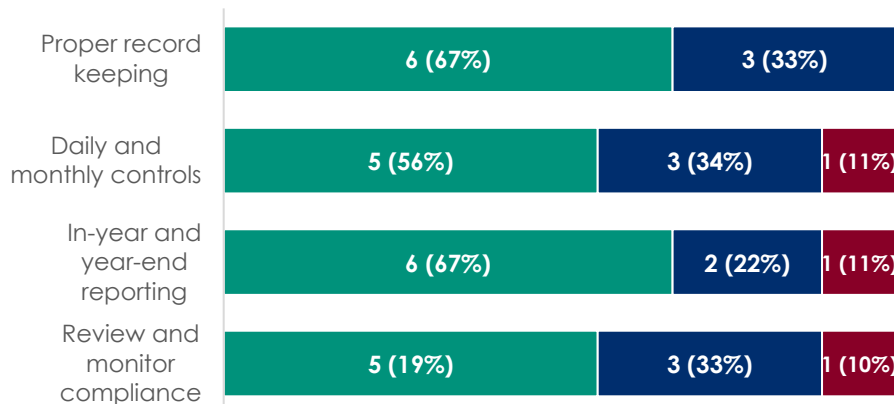
Unreliable inventory records increase the risk of material misstatements, inventory losses, and impaired management decision-making, undermining operational oversight, financial reporting reliability, and stakeholder confidence.

The quality and credibility of in-year financial reports depend on accurate financial statements and supporting records; material misstatements can result in unreliable information being used for analysis, monitoring, and decision-making.

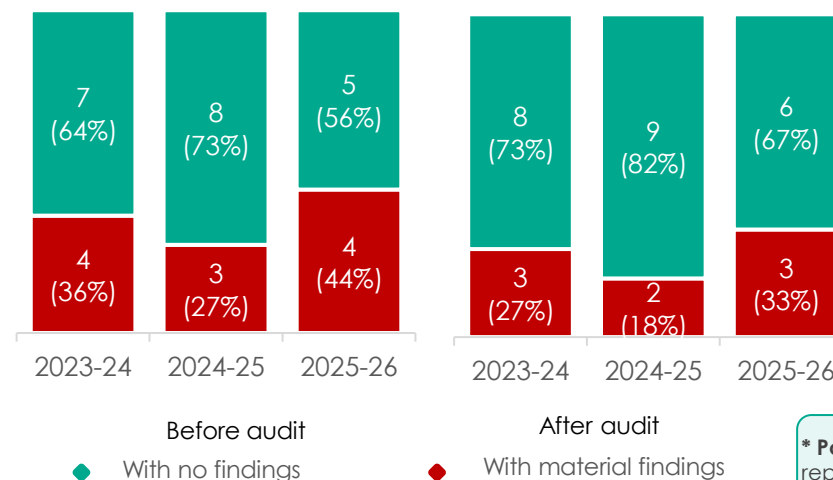
Performance planning and reporting for service delivery

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Performance management controls



Quality of performance reports*



Material findings on performance reports

- Indicators and targets not clearly defined (**DCDT**)
- Achievement not supported by audit evidence (**Icasa, Sita and Usaasa**)

* Postbank is not listed thus findings on performance reporting is not included in the audit report

Key observations

- DCDT** did not implement adequate processes to consistently measure and report on the **implementation of the Digital Economy Masterplan**, and the target was not aligned to the indicator.
- Sita** did not establish appropriate methods of calculations and processes to reliably report on the **% brand reputation index**.
- Icasa and Usaasa** could not adequately support the reported performance for the **percentage of radio frequency interference cases resolved in 30 days** and the **percentage implementation of the M&E framework**, respectively

Causes of performance reporting weaknesses

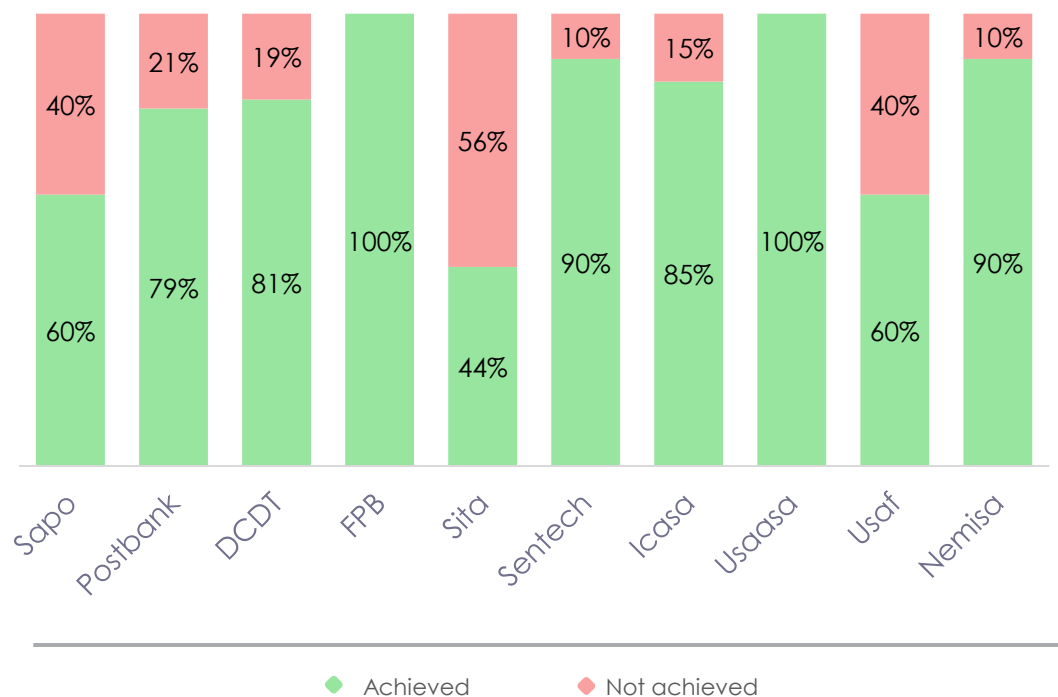
- Inadequate systems, processes and controls for recording and measuring performance (**Icasa, Sita and Usaasa**)
- Lack of adequate review of annual performance reports against supporting evidence prior to submission for audit (**Icasa, Sita, Usaasa and Nemisa**)
- Lack of adequate review of the design of indicators and targets prior to approval to ensure compliance with Framework for Managing Programme Performance Information (**DCDT**)

Impact

- Poorly defined performance indicators and targets make it difficult to measure performance, assess progress, and report on the achievement of intended outcomes.
- Unreliable performance reporting may overstate or misrepresent achievements, limiting the ability of oversight bodies to accurately assess performance and drive improvement.

Performance against targets – 2025-26

Achievement of annual targets as reported in annual performance report (all indicators)



Achievement of annual targets as reported in annual performance report for audited programmes

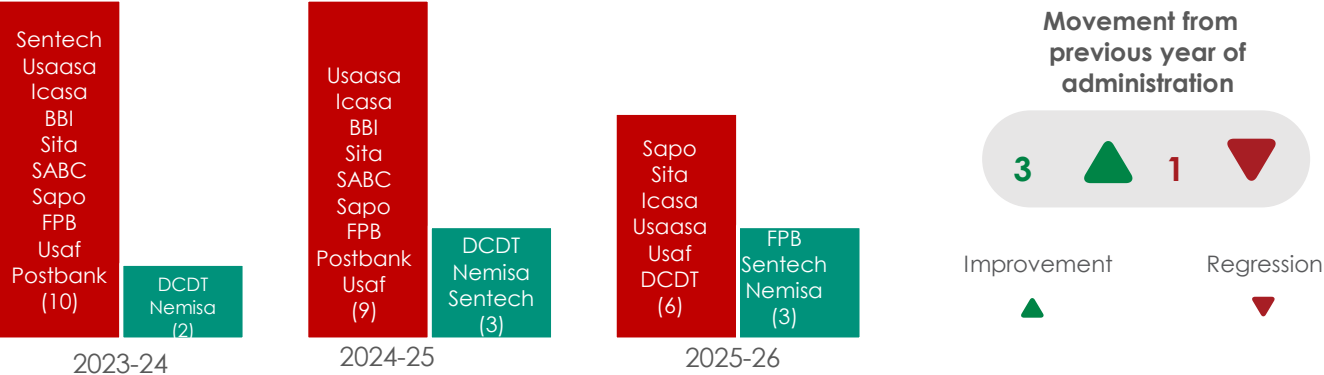
Key service delivery indicator and related targets not achieved

- Target for key indicators on organisational productivity – achieve the prescribed mail delivery standard for standard mail – was not achieved **(Sapo)**
- Inadequate progress against the section 16 banking licence application **(Postbank)**
- Targets set for underserved areas connected and monitoring percentage connectivity uptime on all funded sites were not achieved **(Usaf)**
- Percentage implementation of Government ICT Disaster Recovery Centre **(Sita)**
- Percentage of national government e-service zero rated **(DCDT)**

Overall reasons and impact of non-achievement

- Non-achievement of the prescribed mail delivery standard due to lack of investment in the infrastructure used to ensure service delivery and poor IT infrastructure. Late mail deliveries may result in declining service quality, reduced customer confidence and loss of business and revenue. **(Sapo)**
- Delays in the section 16 banking licence application due to slower progress in meeting compliance requirements set by the prudential authority, may impact long-term financial sustainability, hinder strategic objectives, restrict its operational capabilities and limit service delivery outcomes to provide accessible and affordable banking services to underserved areas. **(Postbank)**
- Delays in appointing a service provider to connect underserved areas and poor performance by the service provider responsible for monitoring percentage connectivity uptime contributed to the non-achievement. This may result in reduced connectivity in underserved areas, service disruptions, and delays in achieving universal access and digital inclusion objectives. **(Usaf)**
- Failure to achieve key indicators signals challenges in delivering Sita's mandate, negatively affecting departmental effectiveness in service delivery and loss of stakeholder trust. **(Sita)**
- Failure to complete engagements with other national government to zero rate their services. **(DCDT)**

Compliance with key legislation



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

*Postbank is not listed thus the PFMA compliance measures are not reported in the audit report for 2025-26

Causes of compliance findings

- Weak financial reporting controls, insufficient technical skills, inadequate record keeping, and insufficient management reviews resulted in **poor-quality financial statements** being submitted for audit at **the department and 5 entities**.
- Management did not conduct timely investigations into identified instances of irregular, fruitless and wasteful expenditure, nor did it consistently implement recommendations arising from investigations conducted at **the department and 5 entities**.
- Inadequate compliance monitoring, preventative controls, and management oversight resulted in the failure to prevent irregular and fruitless and wasteful expenditure **at 3 entities**.
- Management did not implement adequate procurement planning, compliance monitoring, and review controls to ensure adherence to applicable procurement legislation and regulations, resulting in recurring instances of non-compliance at **3 entities**.

Impact

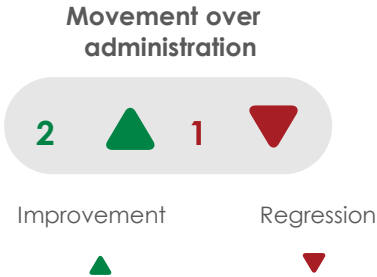
- Non-compliance with legislation can result in financial losses, reduced accountability and transparency, operational inefficiencies, and costly investigations.
- Delayed investigations and failure to implement recommendations weakened accountability and increased the risk of recurring irregular, fruitless and wasteful expenditure.
- High levels of irregular, fruitless and wasteful expenditure reduce resources available for service delivery, result in financial losses, and erode public trust.
- Recurring non-compliance with procurement legislation increased the risk of irregular expenditure and compromised the fairness, transparency and competitiveness of procurement processes.

Most common areas of non-compliance	Sapo	Icasa	Usaasa	Usaf	DCDT	Sita
Procurement and contract management	X	X			X	
Quality of financial statements	X	X	X	X	X	X
Prevention of irregular, unauthorised, and fruitless and wasteful expenditure	X		X			X
Effecting consequences	X	X	X	X	X	X

Status of compliance with legislation on procurement and contract management



◆ No findings ◆ Non-material findings ◆ Material findings



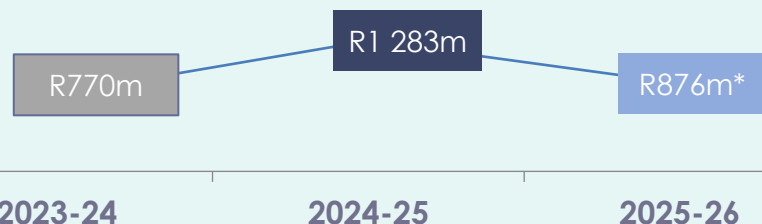
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Causes of procurement and contract management findings

- Lack of sufficient technical skills, vacancies in key positions and inadequate internal controls over procurement and contract management contributed to the non-compliance identified **(Sapo)**
- Inadequate involvement of SCM unit to review deviation requests results in reliance on the deviation procurement process without sufficient assurance that the reasons for deviation comply with National Treasury requirements **(DCDT)**

Detail of procurement findings	Sapo	Nemisa	Postbank	Sita	DCDT	Icasa
Uncompetitive and unfair procurement processes	X	X	X	X	X	X
Limitations on audit of awards selected for testing	X		-	X	-	-

Annual irregular expenditure



* The reduction is partly due to the outstanding outcome for 2 entities

Nature of irregular expenditure

- Services are being rendered without a valid contract (**Sita, Postbank & DCDT**)
- Procurement that is non-compliant with National Treasury regulations (**Sapo & DCDT**)

Top contributors

R570,96m **Sita**

R151,97m **Postbank**

R123,33m **Sapo**

R17,41m **DCDT**

Irregular expenditure under assessment

2024-25 = R1 278m

2025-26 = R1 665m

Sita = R1 100m

SABC = R 178m

Sita = R1 403m

DCD = R 5m

Nemisa= R 68m

Sapo = R 189m

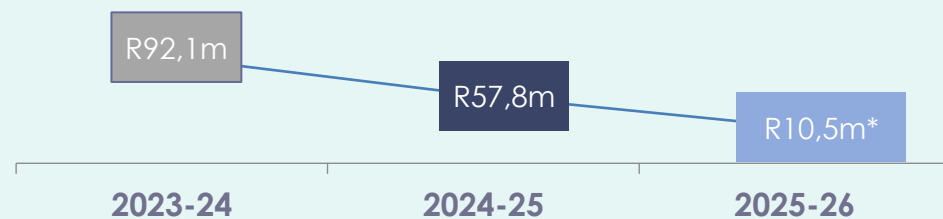
Irregular expenditure under assessment in 2024-25

- None of R1 100m was confirmed in the current year due to capacity constraints
- SABC's outcomes are still pending

Impact of irregular expenditure incurred

- Services are being rendered without a valid contract, exposing the organisation to legal, financial, and compliance risks, including disputes, and limited ability to enforce agreed terms and service expectations
- Undermining accountability and public confidence in the management of public resources

Annual fruitless and wasteful expenditure



* The reduction is partly due to the outstanding outcome for 2 entities

Causes of fruitless and wasteful expenditure

- Assets and licences procured and not utilised (**Postbank**)
- Penalties and interest (**Sita & Sapo**)

Top contributors

R6,9m **Postbank**

R1,4m **Sita**

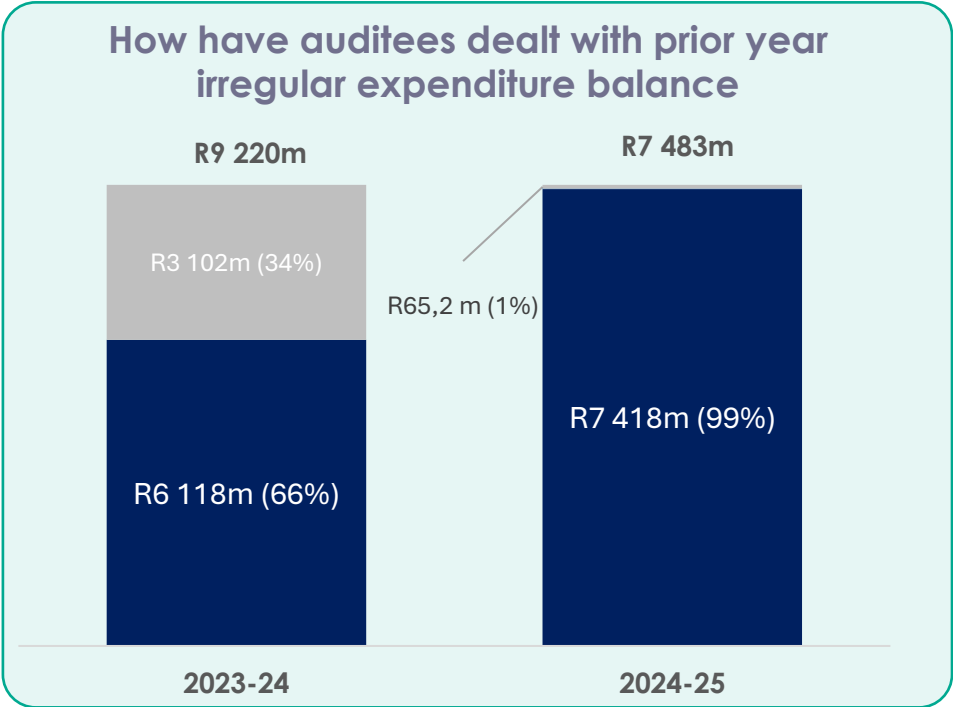
R1,3m **Sapo**

Impact of fruitless and wasteful expenditure incurred

- Assets and licences procured but not utilised result in unnecessary expenditure, reduced value for money, and inefficient use of organisational resources.
- Penalties and interest incurred result in avoidable financial losses, reduced value for money, and increased risk of wasteful expenditure and non-compliance with governance requirements.

Risk: consequence management – dealing with irregular expenditure

Closing balance of irregular expenditure



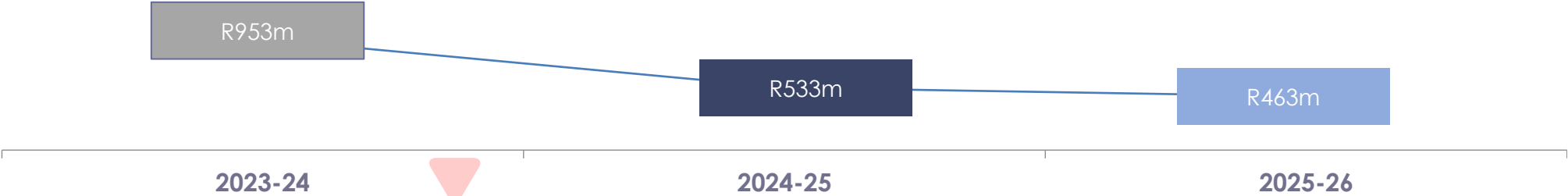
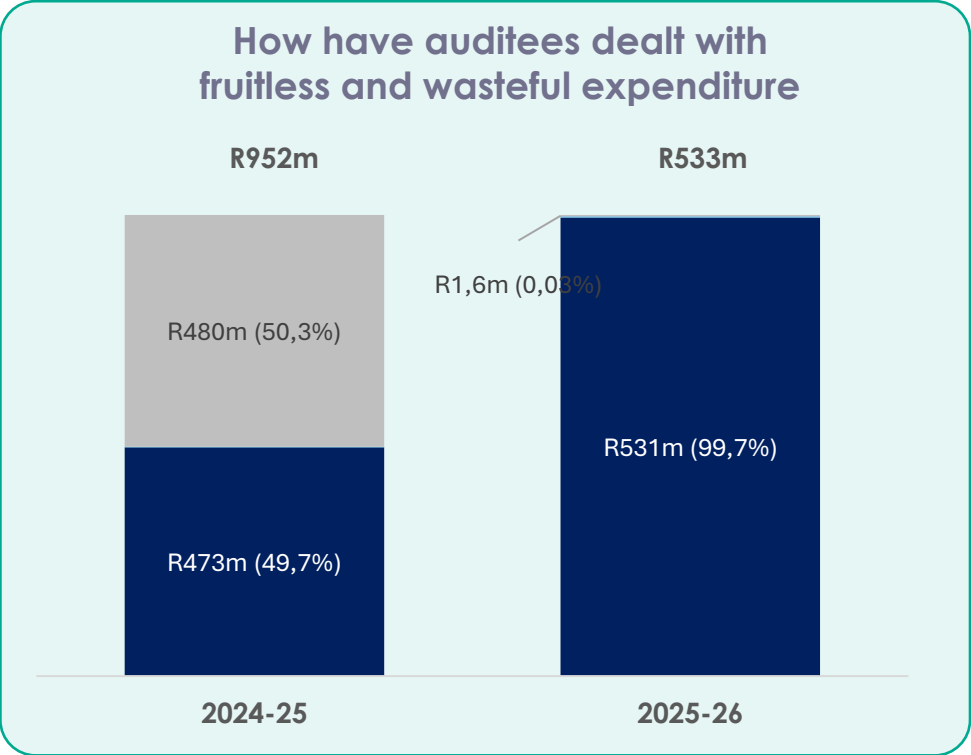
Top 3 contributors (R4 169m) to irregular expenditure not dealt with constitute 56% of R7 418m

R3 024m	Sita
R905m	Postbank
R240m	Sapo

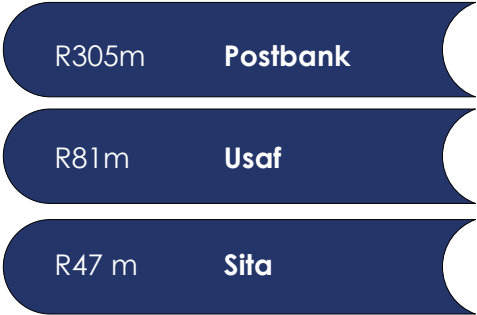
Reasons for IE not dealt with

- Investigated and awaiting condonement
 - Awaiting condonation from National Treasury (**Postbank** R815m)
- Not yet investigated
 - Delays in completing determination tests and investigations (**Sita** R3 024m). No irregular expenditure was condoned, recovered, written off or removed at year-end
 - Recommendations from investigations not implemented in a timely manner (**Sapo** R240m)
 - Outstanding audits**- SABC(2 494m) and BBI (R44 m)

Closing balance of fruitless and wasteful expenditure



Top 3 contributors (R433,8 million) to fruitless and wasteful expenditure not dealt with constitute 82% of R533 million



- Reasons for FWE not dealt with
- Not yet investigated
 - Awaiting investigation (**Postbank** R305 m)
 - No loss control officer (**Usaf** R81m)
 - Delays in completing determination tests and investigations (**Sita** R47m)
 - Outstanding audits
 - SABC: R80m

Risk: weaknesses in financial management

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Overall financial health assessment*



◆ Good

◆ Unfavourable

*Financial health assessment has not been conducted for Usaasa, Usaf and Nemisa as these are classified as small entities. Sentech is not assessed as a S4(3) auditee. No significant concerns have been noted for these entities



Going-concern uncertainty

- Sapo (7 years)

Financial health indicators

- Debt-collection period greater than 30 days at 4 of 6 auditees (67%)
- Average debt-collection period is 93 days
- Creditor-payment period greater than 30 days at 5 of 6 auditees (83%)
- Current liabilities exceed current assets in 2 of 6 auditees (33%)
- Average creditor-payment period is 78 days
- R10,5 million of expenditure was fruitless and wasteful (7 auditees)
- 40% of auditees ended year in deficit (expenditure more than revenue)

Fruitless and wasteful expenditure

R10,5m
2024-25: R57,8m

Irregular expenditure

R876m
2024-25: R1 283bn

Observations

- **Sapo's** going-concern status remains under significant threat. Although some operational improvements and cost reductions have been achieved through the business rescue process, these gains have not been sufficient to restore financial sustainability. The key drivers of the going-concern risk are:
 - Continued revenue decline and inability to meet revenue targets.
 - Dependence on government funding and unresolved funding shortfalls.
 - Incomplete implementation of the business rescue plan.
 - Operational inefficiencies affecting service delivery and revenue generation.
 - Governance weaknesses, including the absence of a board and formal oversight structures.
- Without secured funding, successful turnaround implementation, governance stabilisation, and substantial operational reform, Sapó's long-term financial sustainability and ability to continue as a going concern remain uncertain.
- **Sentech, Postbank, Sapó** and **Usaf** ended the year in deficit which has the potential of the erosion of accumulated reserves, reduced capacity to self-fund future operations and strategic initiatives, and increased reliance on external funding sources. If sustained over multiple years, operating deficits may adversely affect financial sustainability, liquidity and the entities' ability to deliver on their mandates.
- **DCDT** had been assessed as concerning due to special appropriation enacted after year-end which required expenditure to be treated as if it occurred in 2025-26 financial year resulting in R700m payable which was backed up by cash.



Governance

Effectiveness of internal audit units

- Internal audit provides relevant assurance coverage at **Postbank, Sentech, FPB and Nemisa**, identifying key risks and supporting governance structures through regular reporting and follow-up processes.
- Internal audit fulfilled its assurance responsibilities at **DCDT, Icasa, Usaasa and Usaf** and provided coverage of relevant risk areas. However, recurring weaknesses in ICT governance, compliance and/or control implementation reflected that management did not consistently implement internal audit recommendations effectively.
- Similarly, at **Sapo and Sita** internal audit provides assurance and identifies key control weaknesses. However significant findings continued to be raised during the audit, even though some were subsequently resolved, resulting in the achievement of unqualified audit opinions.

Effectiveness of audit committees

- The audit committees of **Postbank, Sentech, FPB and Nemisa** were assessed as effective and responsive as they provided appropriate oversight of financial reporting, compliance and internal control matters and were actively involved in monitoring management's implementation of corrective actions to address previously reported findings.
- At **DCDT, Icasa, Usaasa and Usaf** the committees were assessed as partially effective as the committees actively engaged with management and assurance providers, however, recurring findings relating to governance, information systems controls and/or compliance were prevalent.
- At **Sita** governance challenges, leadership instability, capacity constraints and prolonged corrective action implementation reduced the ability of audit committee oversight to achieve sustainable improvements in control performance.
- **Sapo** did not have a board in place during the year under review and therefore no audit committee was in place.

Institutional capability

Vacancies

- Several strategic positions at **Sapo** are still vacant and is currently being managed by acting incumbents, including the CEO, CFO, COO, CIO, CAE and head of SCM. A board was appointed subsequent to year-end but will only be effectively established on the conclusion of the business rescue process
- CIO position is vacant at **Sita** and is filled in acting capacity
- Critical ICT management vacancies and shortcomings in ICT organisational capacity at **DCDT**, which affected the oversight of ICT operations, governance processes and control implementation
- At **Icasa**, the enterprise architect position remained unfunded and vacant, limiting the authority's ability to provide strategic technology architecture oversight and support long-term ICT planning
- Skills-gap assessments had not been completed at **Postbank**, making it difficult to ensure that the organisation has sufficient capability to manage increasingly complex banking and ICT environments
- At **Usaasa**, the CEO position is filled by an acting incumbent





- **Accountability for effective IT governance resides with accounting officers and authorities** of auditees, who, over several years, have not discharged this responsibility
- Weak IT control environment can largely be attributed to **poor IT governance practice**

Weaknesses and impact in current systems and environment

- Weak ICT governance and oversight (**DCDT, Icasa, Postbank, Sapo, Sita**) resulting in the inability to effectively implement, monitor and sustain key ICT controls
- ICT skills shortages and vacancies (**DCDT, Icasa, Postbank, Sapo, Sita**) increasing control failures, recurring audit findings and weakened ICT risk management
- Cybersecurity weaknesses (**DCDT, Icasa, Postbank, Sapo, Sita**) resulting in Increased risk of cyber incidents, data compromise and unauthorised access. There is also an increased risk of prolonged service disruptions and inability to recover critical services
- Weak disaster recovery and business continuity controls (**DCDT, Icasa, Postbank, Sapo, Sita**) increasing operational risk, security vulnerabilities and reduced service reliability
- Delayed modernisation and legacy systems (**Postbank, Sapo, Sita**) reducing the reliability, accuracy and completeness of information from such systems used for reporting and decision-making
- Weak application controls and information systems reliability (**Icasa, Postbank, Sapo, Sita**)

Causes of weaknesses

- Weak accountability, inadequate monitoring of controls and delayed implementation of corrective actions
- Resource constraints, leadership vacancies and limited specialist ICT capacity
- Inadequate security monitoring, vulnerability management and control execution
- Inadequate testing, outdated recovery arrangements and delayed resilience initiatives
- Funding constraints, project delivery challenges and deferred infrastructure renewal
- Inadequate system governance, weak automated controls and poor integration management

Overall status of information technology controls

5 (50%)

5 (50%)

◆ Good

◆ Not assessed

◆ Poor



Cumulative target not achieved:

SA Connect: 8 000 connections and 1 000 upgrades vs a 14 742-site target, some sites did not sustain the 95% connectivity target over six months, affecting the reliability of network provision at those sites

Network availability below the 98% threshold; VPN SLAs missed

Data centre Tier III certification not achieved

Only 52 of 143 departments onboarded to the SOC/CSC

Key observations

Network: 2 076 of 7 800 sites below 10 Mbps, 294 still on copper; SA Connect far short of its 14 742-site target; VPN SLAs missed at DHA, Eastern Cape, North West, Western Cape.

Infrastructure: modernisation carried forward since 2022/23, no Tier III certification, budget up 10% to R135.5m despite ~R29m spent at Centurion; 75 of 105 major incidents (71%) breached targets, 36 involving server downtime.

Governance and cyber: no central software inventory, standards not enforced, 52 of 143 departments on SOC/CSC; capabilities underused beyond firewall monitoring.

Procurement: stalled awards up 21% (450 to 545); data centre, telecoms and business continuity contracts repeatedly extended; 11 departments invoked regulation 17.8, 4 procured outside SITA.

Root causes

- Site power and functionality failures; delayed fibre/LTE migration.
- Procurement delays, funding constraints and delayed CAPEX flows.
- Weak contract lifecycle management; replacement procurements started too late.
- SOC/CSC not mandatory, so adoption stays voluntary and low.
- Limited central oversight of software, standards and certification.

Impact:

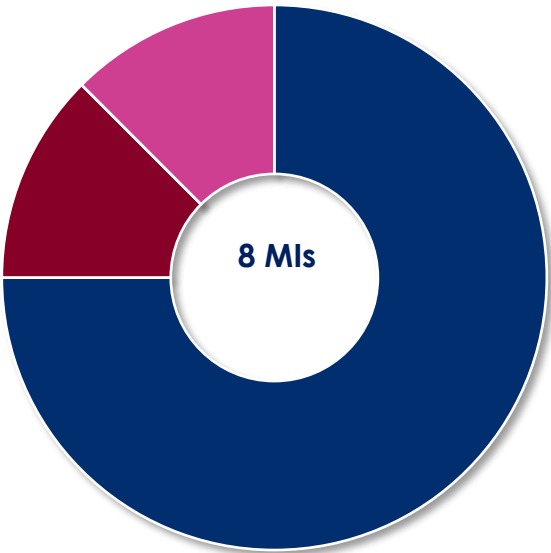
- Unavailable or suboptimal ICT services at service delivery points, with rising costs, delayed modernisation and higher risk of disruption across government systems.
- Fragmented ICT landscape driving duplicated investment, reduced interoperability and increased cyber and service-delivery risk.
- Repeated extensions reduce market testing, competitive pricing and access to innovation, raising irregularity, compliance and reputational exposure.
- Extended reliance on ageing infrastructure and eroding stakeholder confidence in SITA as government's preferred ICT partner - no case was found where SITA formally advised a department it could not meet its ICT needs, yet departments continue to move away over responsiveness and delivery timelines.

Actions/Recommendations:

- Remediate underperforming network sites and accelerate fibre/LTE migration with funded, revised delivery timelines.
- Complete data centre modernisation to Tier III with cost control and evidence of progress.
- Establish a central software inventory, enforce interoperability standards and make SOC/CSC adoption a priority across departments.
- Strengthen procurement planning, contract oversight and early replacement procurement to clear the award backlog and end reliance on extensions.
- Improve responsiveness to prescribed timeframes to reduce regulation 17.8 invocations.

Material irregularities in the portfolio

1. Nature of MIs



- Resource management (6 MIs)
- Interest and penalties (1 MI)
- Loss of material public resources (1 MI)

(based on investigations undertaken by management)

2. Financial loss from 8 MIs

R378.1m	Estimated total financial loss
R17.5m	Minus: Financial loss prevented/recovered/in process of recovery (1 MI)
R189m	Minus: Financial loss not recoverable (4 MIs)*
R171.6m	Outstanding balance (3 MIs)

3. Response to MIs

Determined status of 8 MIs



- 1 – **Decision on invoking powers** in process
- 3 – **Referral** to public body for investigation
- 1 – **Remedial** action – with **directive** to recover financial loss
- 2 – **Remedial** action – **no directive**

4. Observations from MI process

- At **Sita**, 1 MI was notified in September 2021 and referred for investigation in August 2024. 1 MI was notified in July 2024, A directive was issued in July 2025 – management has requested extensions to deal with this matter
- At **Postbank**, the 2 remaining MIs were notified in February 2022 and January 2023. While significant progress has been made with these MIs – not all internal control weaknesses identified were addressed
- One M notified to **Sapo** in November 2020 is still in the process of investigation by DPCI
- One MI notified to **Usaasa** in June 2025 has not been addressed and further actions in this respect are being considered



Detailed MI nature and status in portfolio

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Auditee	Extent	Nature				Status of MIs where determinations have been made
	MIs	Material financial loss (MIs)	Misuse – material public resources	Harm – general public	Harm – public sector institution	
Postbank	4	R189m (4)	0	0	0	Remedial action and referral - 1 Appropriate action not taken – 1 Resolved – 2
Sapo	1	R158m	0	0	0	Referral and recommendation – 1
Usaasa	1	R17,5m	0	0	0	Appropriate action not taken – 1
Sita	2	R13,6m	0	0	0	Referral and recommendation – 1 Remedial action – 1



Detailed MI nature and status per auditee

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Postbank, Sapo, Usaasa and Sita

Auditee	Notified	MI description	Nature	Status
Postbank	20 August 2022	Penalties incurred as a result of breach of agreement	Material financial loss (R17 684 164)	Resolved
Postbank	15 February 2022	Failure to maintain an effective system of internal control on the card management and beneficiary payment system	Material financial loss (R13 579 174)	Resolved
Postbank	15 February 2022	Failure to maintain an effective system of internal control over safeguarding of customer bank cards issued	Material financial loss (R68 760 420)	Remedial action and referral
Postbank	30 January 2023	Failure to implement effective and efficient controls over iGPS	Material financial loss (R89 000 000)	Appropriate action not taken
Sapo	12 November 2020	Lack of implementation of effective controls on the South African Social Security Agency beneficiary	Material financial loss (R158 000 000)	Referral and recommendation
Usaasa	11 June 2025	Failure to account for inventory issued to installers	Material financial loss (R17 511 536)	Appropriate action not taken
Sita	16 September 2021	Payments made for licences that were not utilised/deployed	Material financial loss (R12 162 170)	Referral and recommendation
Sita	16 September 2021	Payments for services not delivered	Material financial loss (R1 450 000)	Remedial action



Root causes and recommendations

Key root causes

- Key vacancies within critical roles resulted in inadequate oversight and ineffective execution of prescribed processes and controls. **(Sapo, Sita, DCDT, Usaasa, Icasa, Postbank).**
- Effective systems of internal control not implemented to ensure accurate financial and performance reporting, resulting in material misstatements that required corrections **(Sapo, Icasa, Usaasa, Usaf, DCDT, Sita).**
- Lack of timely investigations or implementation of recommendations from investigations to ensure timely implementation of consequent management procedures **(Sapo, Icasa, Usaasa, Usaf, DCDT, Sita).**

Key recommendations

- Prioritise the filling of vacancies in critical positions **(Sapo, Sita, DCDT, Usaasa, Icasa, Postbank).**
- Strengthen and enforce internal controls over financial and performance reporting to ensure the accuracy, completeness and reliability of financial information and prevent material misstatements. **(Sapo, Sita, DCDT, Usaasa, Icasa, Postbank)**
- Consequence management processes and procedures must be prioritised and enforced. **(Sapo, Icasa, Usaasa, Usaf, DCDT, Sita)**

Overall message

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

1

Implementation of audit action plans to strengthen proper record keeping and reconciliations, enforce compliance with applicable laws and regulations, track progress against key service delivery targets and improve governance and internal controls.

2

Implementation of financial sustainability initiatives at Sapo and the expedited appointment of critical management positions at all entities to strengthen leadership stability and strategic direction.

3

Implementation of consequence management procedures to ensure timely investigation of transgressions and confirm that responsible individuals are held accountable in accordance with applicable policies and regulations.

4

Improvements of internal controls that address the weaknesses underlying material irregularities as well as progress on recovery of financial losses identified.

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Auditor-General South Africa



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Annexure Presidency: Government communication Information System (GCIS) and Media Development and Diversity Agency (MDDA)



Overall improvement in audit outcomes

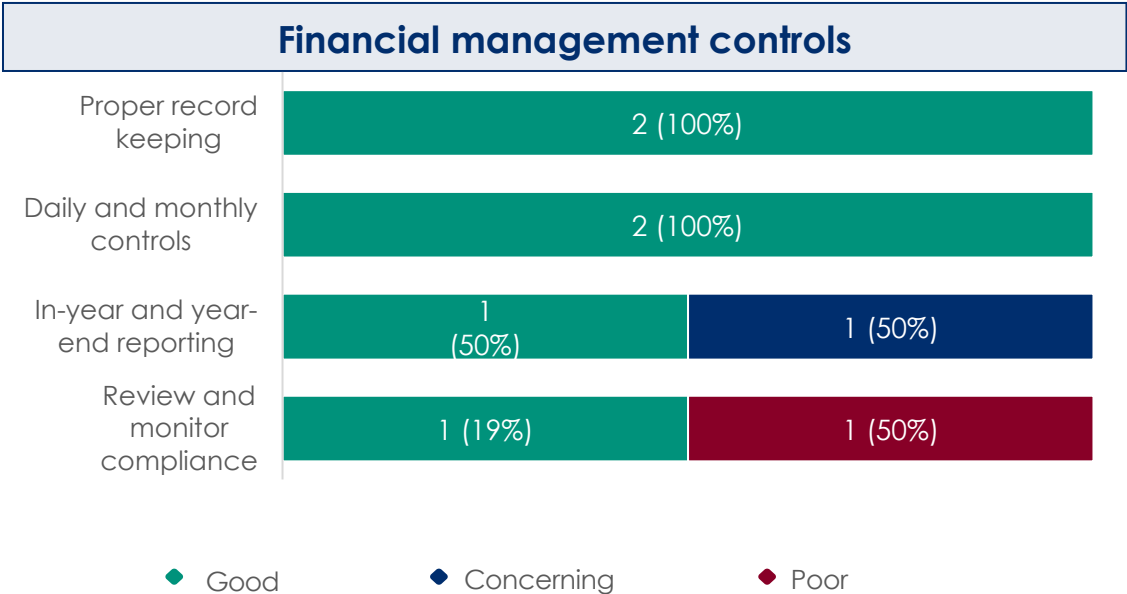
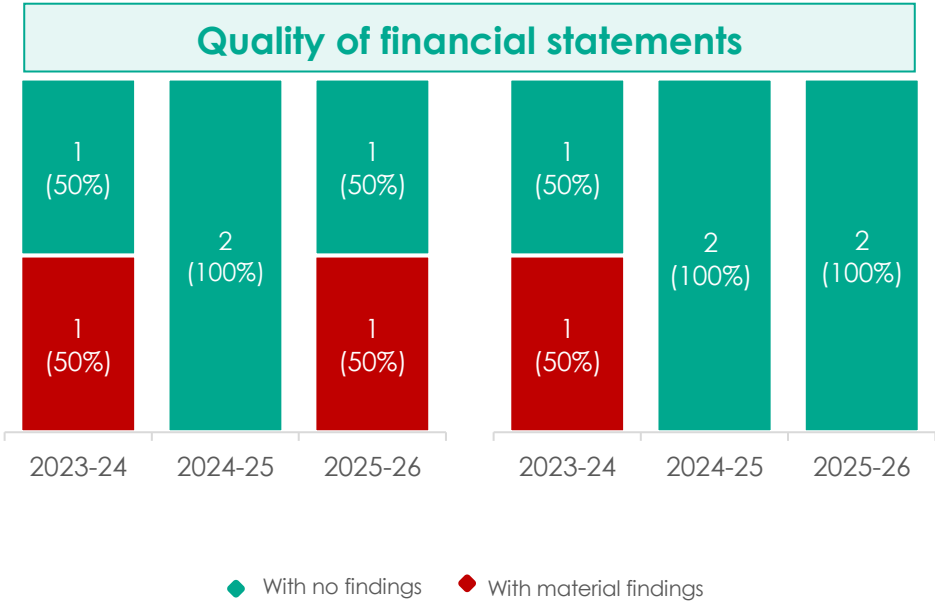
2023-24	1	0	1	0	0	0	2	Movement from previous year and related budget
Last year of previous administration								0 ▲ (0)
2024-25	2	0	0	0	0	0	2	1 ► (R829m)
								1 ▼ (R134m)
2025-26	1	1	0	0	0	0	2	Movement over administration and related budget
Cut-off date: 31 August 2026	50%	50%	0%	0%	0%	0%		1 ▲ (R134m)
								1 ► (R829m)
								0 ▼ (R0)

Movement over administration

- GCIS ►

- MDDA ▼

Submission of financial statements by legislated date remained stagnant at 100%, for the current and prior year



Key observations since previous year

- **MDDA** - regressed as a result of material findings identified on compliance which have led to unqualified with findings
- **GCIS** - Remained unchanged in the current year as .

Causes of financial reporting weaknesses

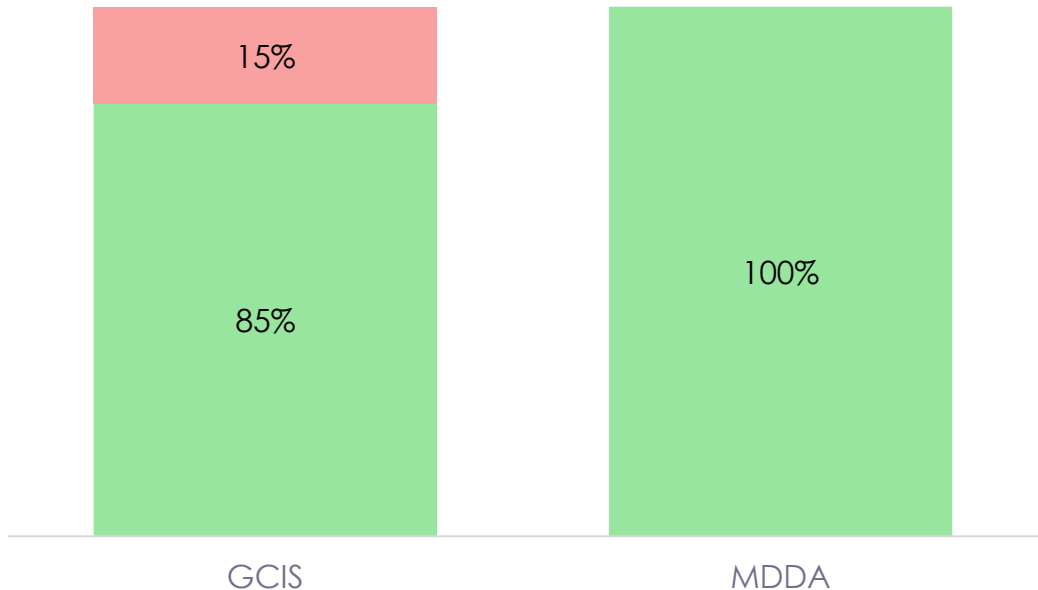
- Inadequate review and oversight of the financial reporting process resulted in poor quality financial statements and supporting schedules that could be corrected during the audit process resulting in the unqualified audit opinion

Impact

- Non-compliance with the relevant laws and regulations by MDDA.
- The quality and credibility of in-year financial reports depend on accurate financial statements and supporting records; material misstatements can result in unreliable information being used for analysis, monitoring, and decision-making.



Achievement of annual targets as reported in annual performance report (all indicators)



◆ Achieved

◆ Not achieved

Achievement of annual targets as reported in annual performance report for audited programmes

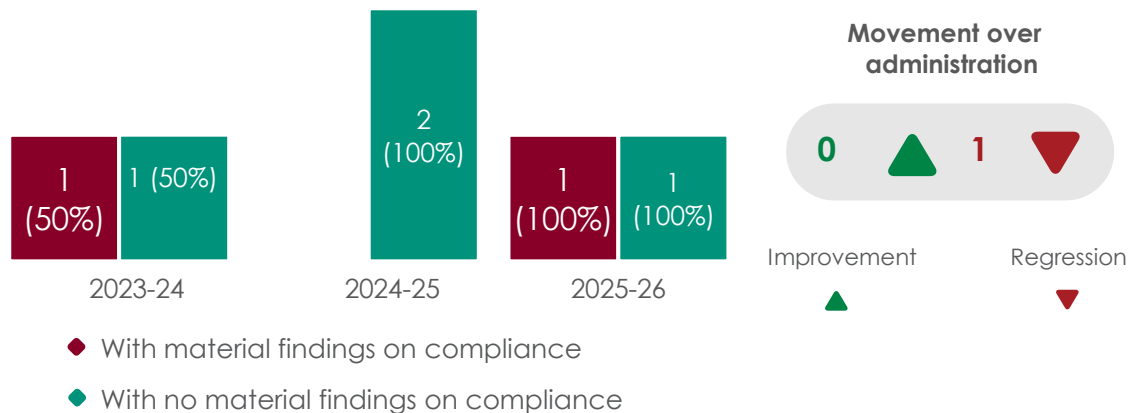
Key service delivery indicator and related targets not achieved

- The following indicator and its key targets for GCIS were not achieved:
 - Percentage response rate to citizen queries directed to the GCIS
 - Number of hours of content broadcast per week on GoZA TV
- All key targets for MDDA were achieved

Overall reasons and impact of non-achievement

- Queries directed to GCIS were not responded timeously which results in important information not being communicated **(GCIS)**
- Service delivery information not communicated to the public **(GCIS)**

Compliance with key legislation



Causes of compliance findings

- Delegation of authority was not followed on contract extensions.
- Management did not implement effective controls to ensure that debtors adhere to terms of repayment.
- Inadequate review and oversight of the financial reporting process resulted in poor quality financial statements and supporting schedules that could be corrected during the audit process resulting in the unqualified audit opinion.

Impact

This may result in the institutional integrity being questioned by the users of the financial statements as it might be perceived that management and those charged with governance do not always ensure compliance with legislation.

Most common areas of non-compliance

MDDA

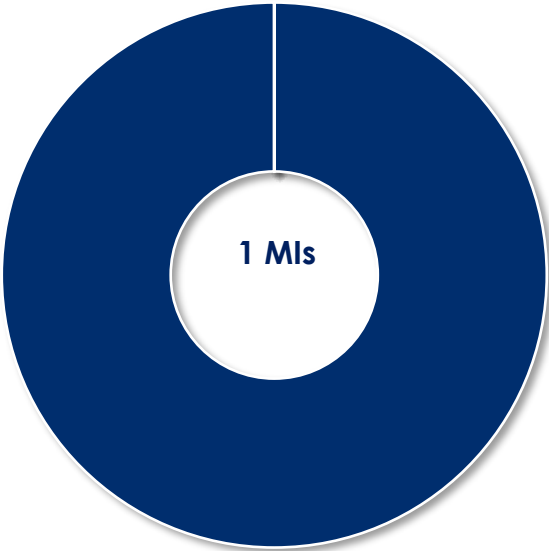
Procurement and contract management	X
Quality of financial statements	X
Steps not taken to collect revenue due to the entity	X

Irregular expenditure

- Irregular expenditure incurred during the year **R7 m**
- Closing balance of irregular expenditure **R16 m**

Material irregularities (MIs) in the portfolio

1. Nature of MIs



● Resource management

2. Financial loss

R1,2 m

Estimated total **financial loss**

R1,2 m

Minus: Financial loss **recovered/**
in process of recovery

3. Response to MIs

Determined status

1 (100%)

1 – **Recommendations** included in audit report

4. Observations from MI process

- The AA was notified on 12 April 2024 of non-implementation controls to ensure the efficient and effective usage of grant funding by beneficiaries in line with the grant in aid agreement.
- The AA responded on 13 May 2024 and submitted a closeout report on 17 July 2025. In addition, the AA was notified on 06 March 2026 that appropriate actions are not being taken.
- Further, the AA was notified on 28 May 2026 of the recommendation which should be implemented by 25 November 2026.



Root causes, recommendations and commitments

Key root causes

- Management did not implement preventative controls to ensure compliance with supply chain management prescripts, revenue management and annual financial statements
- Management did not implement adequate review and monitoring controls over the preparation of the financial statement.
- The action plan to address the previously reported deficiencies was not effective.

Key recommendations

- Monitor the implementation of appropriate preventative controls to prevent instances of non-compliance with supply chain management prescripts, revenue management and annual financial statements
- Enhance reviews of the annual financial reporting processes and use internal audit function effectively to provide a level of assurance.
- Monitor progress on the development and implementation of root cause focused audit action plans to improve audit outcomes.

Overall message

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

1

Implementation of audit action plans to strengthen proper record keeping and reconciliations, enforce compliance with applicable laws and regulations, track progress against key service delivery targets and improve governance and internal controls.

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Improvements of internal controls that address the weaknesses underlying material irregularities as well as progress on recovery of financial losses identified.