

# DIFFERENCE  
MAKERS

AUDIT OPINIONS AND PUBLIC  
SECTOR GOVERNANCE: THE  
HIDDEN DANGERS OF  
QUALIFIED  
REPORTS

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DIFFERENCE MAKERS™

# SETTING CONTEXT

#DIFFERENCE  
#MAKERS

**Do audit reports change the price of bread in South Africa?**

# SETTING CONTEXT

#DIFFERENCE  
#MAKERS

Do **negative** audit reports change the price of bread in South Africa?

# SETTING CONTEXT

**Audit reports** are more than what we (sometimes) make them out to be

**Qualified opinions** are more than the technicalities they may be construed as - they usually signal deeper issues.

In the public sector, these reports can have **far-reaching consequences** for governance, trust, and service delivery.

Let's explore the hidden dangers they present.

# MONEY FOLLOWS GOOD GOVERNANCE

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The dangers of qualified audits

# SETTING CONTEXT



Unqualified opinion with no findings



Unqualified opinion (with)



Qualified opinion



Adverse opinion

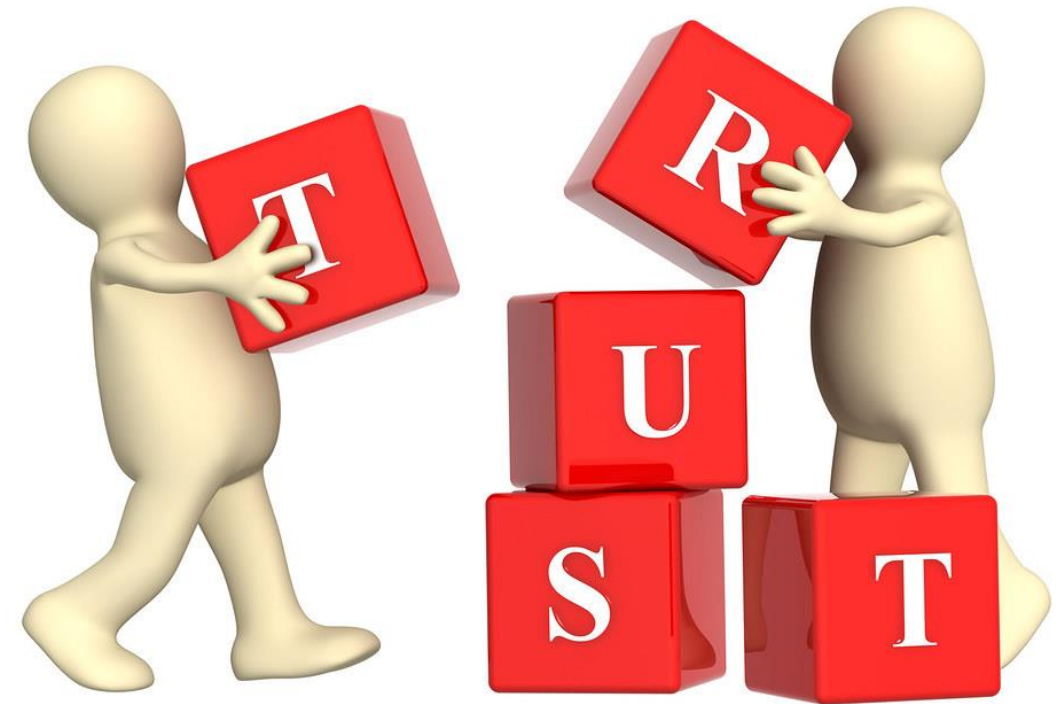


Disclaimer of opinion



# SETTING CONTEXT

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The dangers of qualified audits

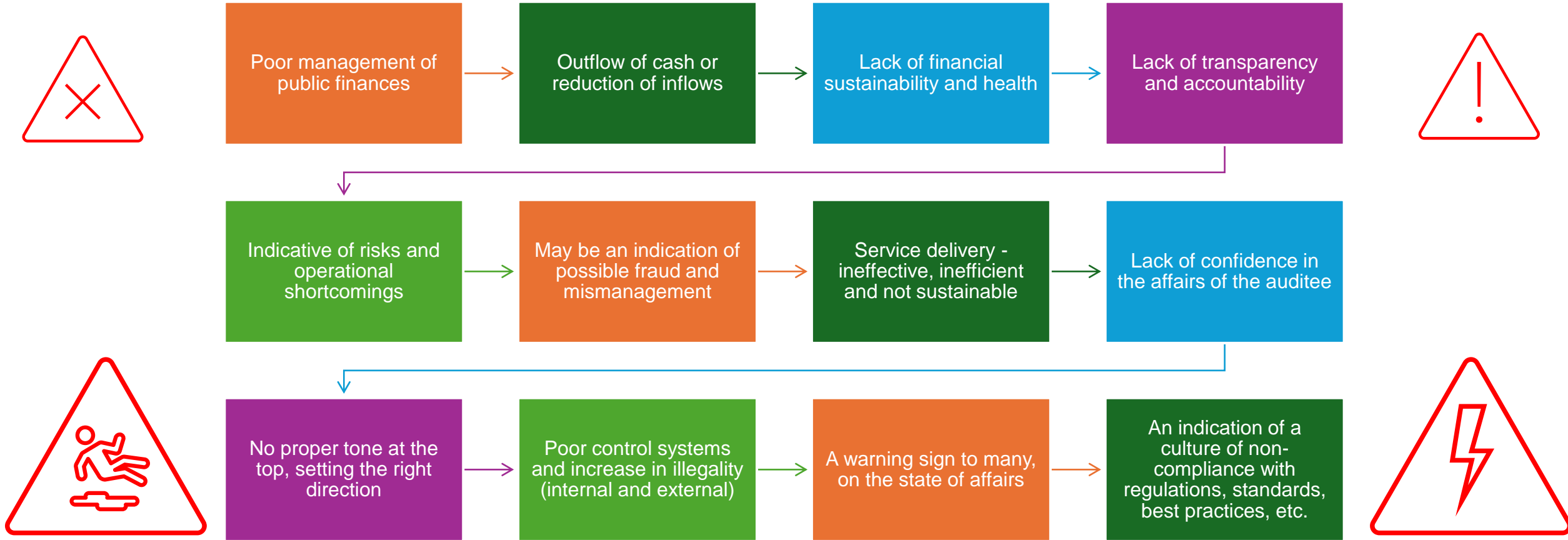
# WHAT ARE SOME OF THE DANGERS RESULTING FROM QUALIFIED REPORTS?



 CA(SA)  AGA(SA)  AT(SA)

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# WHAT ARE THE DANGERS



# REPUTATIONAL DAMAGE AND PUBLIC TRUST



Deteriorating public trust

Credibility of government institutions

Systemic governance failure

Lack of sufficient financial management capabilities

Unrest and service delivery protests

Customer and stakeholder confidence

# MONEY LOVES GOOD GOVERNANCE



Erosion of stakeholder and confidence

Investors and lenders (individuals, large and small)

Regulators and creditors

Dwindling fiscus, local government revenues

Missed opportunity for investment, sustainable local economic development

Decreased creditworthiness

The state of financial affairs, particularly in local government

The dwindling SA fiscus and the budget impasse

# A RISK SIGNAL AND WARNING

Operational and compliance risk indicator

Deficiencies in controls and compliance

Potential impact if realised – is it worth it?

Impact may include (effective, efficient and sustainable) service delivery

A warning sign (if not corrected) for destruction

Some may be minor, technicalities, but generally...

Majority are a sure warning sign for major challenges

The argument around service delivery impact

# PUBLIC FINANCE MISMANAGEMENT



Indicates likely mismanagement of public finances (one way or the other)

Fraudulent financial reporting

Misappropriation of assets

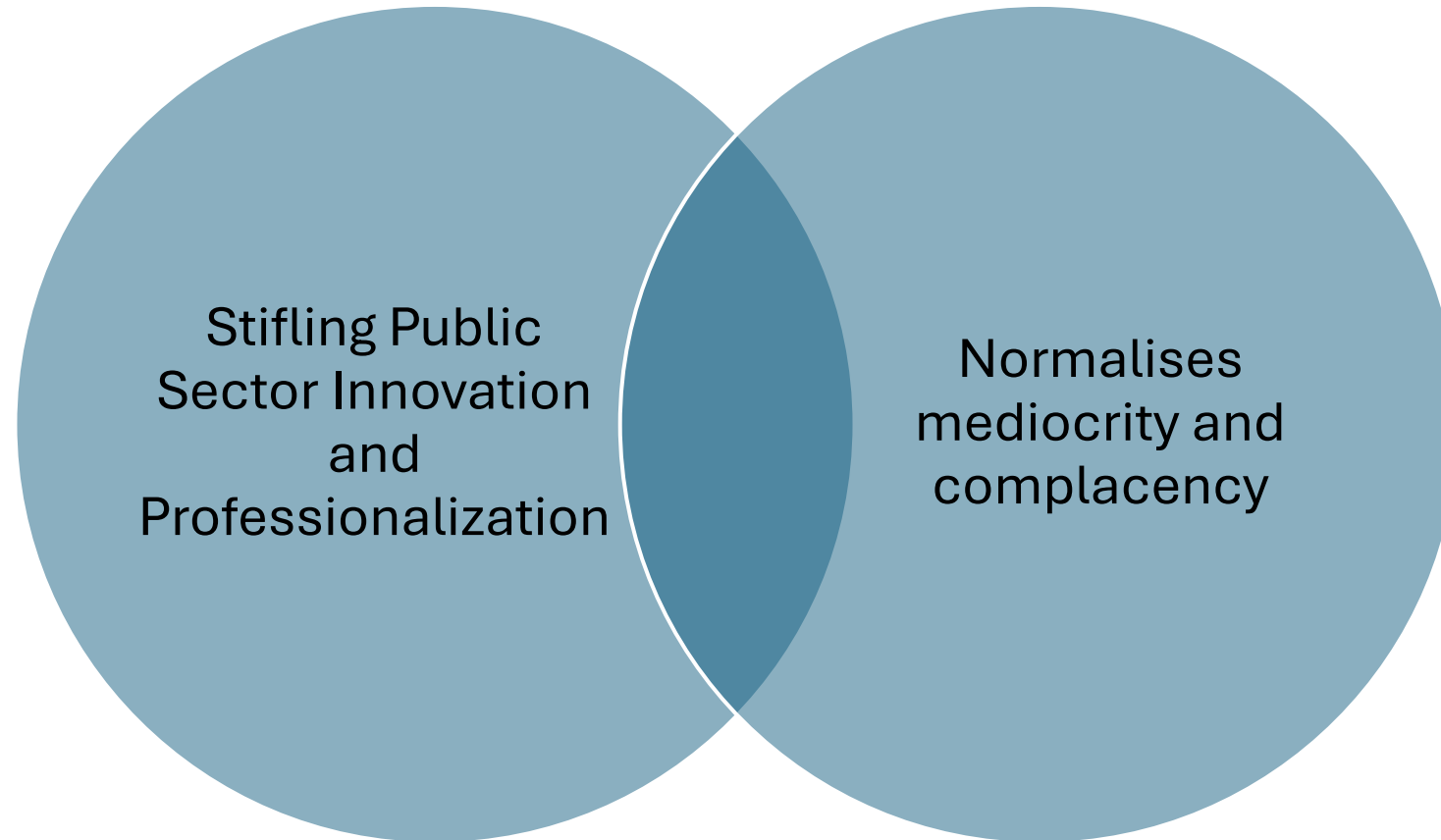
Compliance with prescribed criteria

Lax control environments

If sustained can lead to poor financial health and sustainability

Costs and resources to make corrections

Impact on human lives, society, the environment



# CONCLUSION

Qualified audit reports are not mere administrative footnotes

Indications of our governance crises, lack of accountability.

Addressing their hidden dangers requires moving beyond compliance-centric audits to integrated reforms, including:

Strengthening institutional capacity and professionalisation (targeted training, professionals in the sector and depoliticised appointments).

Enhancing auditor independence by safeguarding against threats and political interference, consequence management and implementing recommendations and action plans.

Aligning audits with service delivery metrics to ensure accountability transcends financials.

Leveraging technology for real-time auditing and data-driven risk assessment and management

# QUESTIONS COMMENTS REFLECTIONS



National Public Sector  
**NON - COMPLIANCE**  
AUDIT SYMPOSIUM

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# THANK YOU

# #DIFFERENCE MAKERS

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