



Auditing to build public confidence

MEDIA RELEASE

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Auditor-general announces steady improvements in national and provincial government audit outcomes, but emphasises that there are still areas of great concern

Eastern Cape PFMA 2013-14 audit outcome highlights

The province has shown a net improvement of five audit outcomes in the year under review. This is the first time since the dawn of democracy that no department in the province obtained an adverse or disclaimed audit outcome. While the number of improvements is encouraging, it is concerning that Education, Health, and Roads and Public Works, which represent 79% of the provincial budget, still received qualified opinions.

This report highlights the fact that the three provincial oversight departments (Office of the Premier, Local Government and Traditional Affairs and the provincial treasury) led by example and achieved unqualified opinions with no findings. These critical departments are now in a position to concentrate on and enhance their oversight and coordinating responsibilities so that they can make a sustainable impact on provincial and local government audit outcomes – and ultimately improve service delivery to the citizens of the province. The provincial legislature, as the only remaining oversight body in the province that did not receive an unqualified audit outcome with no findings, is encouraged to learn from the best practices of these departments and to strive towards achieving this important milestone.

Concern has been raised about those auditees that have achieved an unqualified audit outcome for a number of consecutive years but are still plagued by findings on the quality of their annual performance reports or compliance with key legislation, or both these aspects. The failure to address the internal control deficiencies underlying these findings poses a risk that a culture of tolerance towards these unacceptable practices is encouraged. Departments and entities do not need to look further than some of their peers in the province for guidance on how to address these challenges. There are many examples of departments and entities that have addressed these challenges through the leadership setting the correct tone at the top, a more focused approach towards accountability and governance, stability in leadership positions as well as fulfilment of the commitment to address vacant posts and skills of officials.

Although challenges to raise the overall quality of reporting by departments and entities on their service delivery to an appropriate level remain, the province should be commended for achieving a marked improvement in this area of its work. The number of auditees with no findings on the usefulness and reliability of their annual performance reports has grown to 17. Performance reporting at the big-spending departments like Health, Education as well as Roads and Public Works remains an area of concern.

Compliance with legislation, particularly laws and regulations dealing with supply chain management, remains a challenge and requires focused leadership intervention. Of particular concern is the ever-

increasing amount of irregular expenditure relating to supply chain management, which totalled R2,6 billion in the financial year under review. Seventy-three per cent of this amount can be attributed to Roads and Public Works – the department responsible for all infrastructure development in the province. As much as we were able to confirm that goods and services had been received for at least 67% of this amount, risks remain regarding the competence of staff dealing with supply chain management transactions or an incentive to award contracts to related parties where the benefit of the goods and services may not be fully realised.

We are encouraged by the commitment and spirit of cooperation of the newly elected office bearers and the public commitment to accountability and consequence management. A strong foundation has been laid by the premier in his state of the province address on these matters, and his commitments have already been operationalised into signed performance agreements with members of the executive council. This is further enhanced by the development of the provincial audit intervention plan that will be monitored by the provincial executive.