



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

Northern Cape PFMA 2013-14 audit outcome highlights

The Northern Cape has 13 departments as well as six listed and six unlisted entities that are audited by the AGSA.

The overall expenditure of the provincial government amounted to R12,9 billion for the 2013-14 financial period. This amount is made up of R6,8 billion for employee costs, R3 billion for goods and services, R1,4 billion for capital expenditure and R1,7 billion for transfer payments.

We are pleased to report that the audit outcomes have shown a commendable improvement with five of the 19 auditees attaining clean audit outcomes compared to one in 2012-13.

Nine auditees received financially unqualified audit opinions with findings on their performance information or compliance with legislation, or both of these aspects. These are auditees that have passed the critical test of fair presentation of their financial statements, which means that they have accounted accurately for their financial transactions.

Although the qualified audit opinions have decreased from six to five in the current year, it is of concern that the two largest departments, namely Education and Health (making up 62% of the provincial budget), have remained in the same position as last year by again obtaining qualified opinions. These departments remained the largest contributors to unauthorised and irregular expenditure in the province, which indicates that the concerns raised around basic controls at these departments in the previous year had still not been addressed.

Of the R1 743 million in irregular expenditure incurred in 2013-14, 97% (R1 691 million) was as a result of non-compliance with supply chain management legislation.

It is commendable that 89% of the auditees submitted their annual performance reports for auditing on time, compared to 84% in the prior year. However, auditees that submitted annual performance reports that did not contain material misstatements regressed from eight in 2012-13 to six in the current year.

There has been a significant improvement in compliance with key legislation, from one auditee to five with no material findings on compliance with key legislation when compared to the previous year. It is of concern, however, that 14 auditees still had findings on compliance with laws and regulations, 13 of which related to the quality of the financial statements and the absence of steps to prevent and deal with unauthorised, irregular as well as fruitless and wasteful expenditure. Irregular expenditure was reported at 16 auditees, mainly due to the lack of basic controls and non-compliance with supply chain management legislation.

The overall improvement in the province's audit outcomes can be attributed to progress made with the commitments received from the political and administrative leadership in the previous year, such as the filling of key vacancies. The clean audit outcomes and improvements are the result of management's efforts to proactively address risks and to implement consequence management where performance was not at the required level. In addition, these auditees implemented best practices to ensure ongoing progress in maintaining clean audit opinions. To ensure sustainable and further improvements, robust, informed and decisive efforts are required of the political and administrative leadership. The provincial leadership and oversight bodies need to refocus and intensify their efforts to ensure that more auditees follow the example set by the five that obtained clean audit opinions in 2013-14.