



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

Mpumalanga 2013-14 PFMA audit outcome highlights

Net improvement in audit outcomes

Five auditees achieved clean administration in 2013-14, an improvement from three in the 2012-13 financial year. Eight were unqualified with findings, while four were qualified. The most common qualifications related to capital assets, contingent liabilities and commitments as well as irregular expenditure due to supply chain management weaknesses.

Areas with most challenges

Quality of submitted annual financial statements

All auditees submitted their financial statements for auditing on time, but only six (35%) of the 17 auditees submitted financial statements that did not contain material misstatements.

Quality of submitted annual performance reports

There has been no improvement in this area since 2012-13. Nine auditees did not have material findings on their reported performance information. Six auditees had findings on the reliability of their reported information, while two had findings on both usefulness and reliability. Of the three biggest spending departments in the province, only Education produced a reliable annual performance report, while Health as well as Public Works, Roads and Transport had not fully addressed their previous findings.

Supply chain management

The following were the most common findings:

- Limitations in auditing supply chain management
- Awards to suppliers in which employees of the auditees had a financial interest
- Awards to suppliers in which close family members of employees of the auditees had an interest
- Uncompetitive and unfair procurement processes.

Human resource management

Attention has not been given to filling vacancies and ensuring stability in key positions.

Unauthorised, irregular as well as fruitless and wasteful expenditure

- Unauthorised expenditure decreased from R136 million to R18,2 million in the current year.

- Irregular expenditure increased from R234 million to R1 008 billion in the current year. Overall, 95% of the irregular expenditure was as a result of non-compliance with supply chain management legislation. The Department of Public Works, Roads and Transport as implementing department contributed the highest amount.
- Fruitless and wasteful expenditure decreased from R16,5 million to R7,4 million in the current year.

Root causes

The following contributed to the outcomes:

- Instability or vacancies in key positions
- Slow response by management and the political leadership in addressing the internal control weaknesses that had been highlighted by internal audit units, audit committees, portfolio committees and the public accounts committee.

Impact of key role players in improving outcomes

Although we noted a slight improvement in the assurance provided by key role players, we are concerned that most of the practices leading to the improvement had not been institutionalised and are therefore not sustainable.