



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

North West PFMA 2013-14 audit outcome highlights

There has been an improvement in the provincial outcomes, in particular by the departments, as only two departments (15%) received qualified opinions with findings and 10 (77%) were unqualified with findings.

The provincial treasury has led by example and is the first department in the province to obtain a financially unqualified audit opinion with no findings (in other words, a clean audit).

Sixteen auditees (46%) received financially unqualified audit opinions with findings on their performance information or compliance with legislation, or both these aspects. Eight auditees (23%) received a qualified audit opinion. Four auditees (11%) received disclaimed audit opinions.

There has been a small improvement in that 49% of the auditees now have financially unqualified opinions. However, 12 auditees (42%) received a financially unqualified audit opinion only because they corrected all the misstatements we had identified during the audit. Only 17% of the auditees would still have received an unqualified audit opinion had they not made any corrections.

Most auditees (77%) had material findings on the usefulness and reliability of their reported performance information. The three largest service delivery departments in the province (Health, Education and Public Works) all had material findings on their reporting against predetermined objectives.

All auditees, with the exception of the provincial treasury, had material findings on compliance with key legislation. There has also been an increase in the number of auditees with findings on supply chain management (84%) when compared to the previous year (74%).

We could not audit awards with a value of R506 million at four auditees (2013: R1 846 million at eight auditees), as they could not provide us with evidence that awards had been made in accordance with the requirements of supply chain management legislation. Nineteen (76%) of the auditees had findings on uncompetitive or unfair procurement processes. This was mainly as a result of failure to obtain three written quotations or not inviting competitive bids without these deviations being approved.

The increased unauthorised expenditure of R343,6 million was as a result of departments overspending their approved budgets. Education was responsible for incurring 74% of this amount.

Although there has been a decrease in irregular expenditure compared to the previous year, most of the R1 193 million (96%) in irregular expenditure was a result of auditees not complying with supply

chain management prescripts. Although we did not investigate the irregular expenditure as this is the role of the accounting officer and oversight body, we determined through our normal audit procedures that goods and services were received for R1 192 million (99%) of the irregular expenditure despite the correct processes governing procurement not having been followed.

The financial health concerns in the province have improved slightly since previous years, with nine auditees (34%) (2012-13: 43%) having serious concerns relating to their financial sustainability.

Key messages

- Most executives displayed a positive attitude when engaging with the AGSA in identifying and understanding underlying root causes of outcomes and progress made by departments and entities in addressing root causes.
- There is a strong commitment by and alignment between the departments making up TROIKA. Good communication and a common purpose are evident as a result of the strong tone adopted by the premier.
- To sustain the improvement in departmental outcomes, TROIKA should ensure that the reconfiguration of departments and mandates in 2014-15 does not negate the positive outcomes achieved by the province.
- The executive authorities should be actively involved in monitoring the implementation of action plans and commitments. They should also investigate the reasons for a lack of response by management at the public entities in their portfolios as well as the reasons for the late or non-submission of financial statements. The establishment and effective operation of internal audit units and audit committees at public entities should be prioritised.
- Vacant positions on the board of directors at some public entities and in audit committees should be addressed with immediate effect with the intervention of the provincial leadership.

Key issues that drove the audit outcomes

- Lack of consequences for poor performance and transgressions (83%)
- Key positions vacant or key officials lacking appropriate competencies (55%)
- Slow response by management in addressing the root causes of poor audit outcomes (41%).