



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

Western Cape PFMA 2013-14 audit outcome highlights

The provincial government consists of 14 departments and 10 public entities. The public entities include seven public entities, one trading entity and two other entities. As provided for in the Public Audit Act, the AGSA has opted not to audit one of the public entities (CASIDRA), which is excluded from the outcomes. All auditees submitted their financial statements for the 2013-14 financial year for auditing within the prescribed timelines.

The total budgeted expenditure of the province was R44 billion in 2013-14. The following were the main areas of expenditure:

- Employee cost R23,7 billion
- Goods and services R9,1 billion
- Transfer payments R7,3 billion
- Capital expenditure R3,9 billion

Overall, the province's audit outcomes have improved significantly since the previous year. Eighteen (78%) of the 23 auditees attained clean audit outcomes, compared to 48% in 2012-13.

Seven auditees (30%) moved from financially unqualified opinions with findings to clean audit outcomes, while 10 auditees (43%) maintained their clean audit outcomes of 2013. One auditee (Western Cape Nature Conservation Board) improved from a qualified audit opinion in 2012-13 to a clean audit outcome.

Five auditees received a financially unqualified audit opinion with findings on their performance information or compliance with legislation, or both these aspects. These include Education and Health, which together account for 72% of the provincial budget. It is encouraging that there were no qualified, adverse or disclaimed opinions in the province for 2013-14.

Overall, irregular expenditure was reduced from R221 million in 2012-13 to R170 million in the financial year under review. A total of 90% of the irregular expenditure incurred in 2013-14 related to non-compliance with supply chain management legislation. This includes procurement without a competitive bidding or quotation process and non-compliance with legislation relating to contract management. We determined that goods and services were received, despite the normal provisions of the legislation aimed at ensuring that procurement processes are fair, equitable, transparent, competitive and cost-effective not having been followed.

The improvement and sustainability of audit outcomes were achieved due the political and administrative leadership setting the tone at the top and including clean audit outcomes as a standing

agenda item at all cabinet meetings. The commitment to, and ownership of, the corporate governance and review outlook process by all stakeholders, as well as the provincial treasury's involvement through budgetary control, monitoring of monthly reports and enforcement of financial management principles by issuing provincial instruction notes, were also key drivers of the improved audit outcomes. Accounting officers or authorities and senior management, as a first line of defence, improved the implementation of basic internal controls and accounting disciplines, which ensured that an effective control environment was maintained, and provided rigorous oversight and support in driving clean audit outcomes.