



25 November 2015

## **Gauteng's PFMA 2014-15 audit outcome highlights**

The Gauteng provincial government (GPG) consists of 16 departments, including the Office of the Premier, provincial legislature and the provincial revenue fund, and 20 entities. The general report excludes the information of the Gauteng Enterprise Propeller (GEP) and provincial revenue fund, as these audits had not been completed by 14 August 2015, which is the cut-off date we had set for the inclusion of audit outcomes in this report.

The GPG has sustained the good overall audit outcomes of the previous year in 2014-15, with 19 auditees (54%) (2013-14: 19 [54%]) attaining clean audit outcomes. It is encouraging to see that 16 auditees (46%) had sustained their clean audit status of the previous year, while the Gauteng departments of Economic Development and Finance, as well as the Gauteng Gambling Board, progressed to clean audit outcomes.

Similar to the previous year, 13 auditees (37%) received financially unqualified audit opinions with findings on their performance information, compliance with legislation or both of these aspects. Human Settlements had dealt with the prior year qualification areas and received a financially unqualified opinion with findings.

Strict cost containment and budget monitoring activities at departments contributed to zero unauthorised expenditure in the year under review.

The above good audit outcomes and improvements were as a result of the premier, MEC for Finance and the provincial legislature's continued commitment to achieving clean administration and their insistence on a culture of accountability, ethical conduct and sound financial management practices. Furthermore, stability at accounting officer and senior management levels resulted in some improvement in the implementation and monitoring of action plans to address recurring findings and maintain good practices. This was complemented by the role played by the various assurance providers and oversight structures, including audit committees and coordinating departments such as the Gauteng Provincial Treasury.

The Gauteng department of Sports, Arts, Culture and Recreation, Gauteng Funding Agency and Gauteng Growth and Development Agency regressed from a clean audit outcome to a financially unqualified audit opinion with findings. These auditees failed to institutionalise an internal control environment that was mature and responsive enough to promptly prevent and detect internal control breaches.

g-Fleet Management Trading Entity further regressed from an adverse opinion in the previous year to a disclaimed opinion in the year under review. This was mainly due to the administrative leadership not accepting accountability and not acting with the urgency and due care required to ensure that the previous year's internal and external audit findings were adequately addressed.

Health was again qualified on accrued departmental revenue (receivables) due to material weaknesses identified in the receivable management system.

Non-compliance with key legislation continued to prevent 43% of auditees from attaining clean audit outcomes. Supply chain management transgressions and irregular expenditure remained high. The amount of reported irregular expenditure remained at R5,6 billion. Senior management, political leadership and oversight structures should continue to pay close attention to the prevalence of irregular expenditure and supply chain management transgression. Furthermore, it is critical that oversight structures investigate instances of non-compliance and/or irregular expenditure, take appropriate corrective steps, and implement consequence management.

There has been a regression in the quality of performance information as auditees continued to rely on the auditing process to detect and correct misstatements. Accounting officers and accounting authorities should hold heads of monitoring and evaluation units accountable for not having sound processes in place to ensure that performance information is supported by sufficient and credible evidence.

There was a slight regression in the status of the financial health of some auditees. The impacted auditees were unable to adequately manage their debtors, collect monies due to them and manage their spending against the budgets, which in turn put pressure on their ability to pay their creditors and liabilities. Lawsuits and legal claims contributed R407 million to the total R418 million in fruitless and wasteful expenditure incurred in the current year.

It is important that the administrative and political leadership continue meeting their commitments to ensure that all auditees attain clean audit outcomes.

On 16 October 2015, the premier and the MEC for Finance met with all the MECs and leadership of the departments and entities that had not achieved clean audit outcomes and those that had regressed. "We are encouraged by the premier, Gauteng Provincial Treasury and the MEC's consistent efforts in achieving accountability and effective oversight in the province through implementing and operationalising initiatives that will bring to light the desired impact."

The AGSA remains firmly committed to walking this journey with the provincial leadership. **End**