

remained unchanged with qualified opinions. These auditees were unable to address qualifications on movable and immovable assets, irregular expenditure and accruals and commitments.

Status of financial and performance reporting: The quality of financial statements submitted for auditing improved slightly when compared to the previous year. Seventeen auditees (50%) submitted financial statements that contained material misstatements compared to 21 auditees (66%) in the previous year. Findings on the usefulness and reliability on reporting against predetermined objectives remained stagnant at 32% of auditees compared to 36% in the previous year. The three largest service delivery departments in the province, namely Education, Health and Transport, which manage 82% of the provincial budget, had material findings on predetermined objectives.

Status of compliance: There has been a slight improvement of 5% compared to the previous year's 19% where no material findings were reported on compliance with legislation. Compliance findings relating to procurement and human resource management declined, while compliance findings on the prevention of unauthorised, irregular and fruitless and wasteful expenditure have remained stagnant since the previous year.

Irregular expenditure decreased significantly by 60%, from R4,3 billion in the previous year to R1,7 billion in current year. Education contributed largely to the decline as its irregular expenditure dropped from R2 680 million in 2013-14 to R448 million in 2014-15. This was due to the dedication of leadership and management to improve supply chain management controls as well interventions by the provincial treasury to reduce the excessive irregular expenditure pertaining to the nutrition school programme conditional grant. Health, Education and Arts and Culture contributed 87% (R1,474 billion) to this expenditure. The irregular expenditure incurred in the province was caused mainly by non-compliance with supply chain management requirements. R600 million (35%) of the R1,7 billion in irregular expenditure incurred was audited and it was confirmed that goods were received for 100% of the irregular expenditure audited, despite the normal processes governing procurement not having been followed.

Unauthorised expenditure of R143 million incurred in 2014-15 was due to overspending the budget. There was a significant decline of 79% in unauthorised expenditure in the current year when compared to the previous year's amount of R685 million. Health was responsible for 90% of this expenditure.

Key controls and assurance: The analysis of key controls indicates that leadership controls had improved and financial and performance management controls had been maintained, while governance deteriorated compared to the previous year. Leadership controls improved due to the improved level of assurance provided by political and administrative leadership, as commitments were honoured and action plans were taken seriously in many

instances. Financial and performance management controls were stagnant as daily and monthly processes and record keeping remained deficient. Governance controls deteriorated due to the provincial audit committee being appointed late in the financial year. Therefore, they were unable to provide the expected assurance and affirmation that controls and risks were acceptably managed throughout the year and that the shared internal audit function had effectively discharged its mandate. The assurance provided by portfolio and public accounts committees also improved. These committees are gaining momentum in the province with a better understanding of the audit process and the importance of oversight.

Our analysis indicated that the political and administrative leadership has the will and zest to improve the provincial landscape by promoting accountability and good governance, and by holding officials in positions of stewardship to account. With this being said, the province is destined to realise better audit outcomes in the year ahead. **End**