



Auditing to build public confidence

MEDIA RELEASE

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Premier's office improves its audit results to take the lead in Mpumalanga's drive towards total clean administration

NELSPRUIT – The Mpumalanga Office of the Premier is amongst the provincial auditees that improved its audit results to take the lead in the province's drive towards total clean administration.

The office achieved its improved results by developing and tightly monitoring remedial plans aimed at addressing negative findings highlighted in last year's audit report. The Mpumalanga Provincial Treasury, and the Mpumalanga Gambling Board also led by example in showing what can be achieved if previous years' audit findings are proactively and tightly monitored by government leadership, internal auditors and audit committees.

Premier's pronouncements will positively impact audit outcomes when implemented properly

Auditor-General (AG) Terence Nombembe says that it is encouraging that Premier David Mabuza is taking a leading role in the province's drive towards wholesale clean administration and governance.

In addition to his office leading by example, the premier, during his recent state of the province address, firmly cajoled his government to intensify its drive towards improved administration.

Among other notable pronouncements, the premier highlighted the need for forward planning, strengthening leadership, and tightening administrative systems and processes, particularly with regard to supply chain management. He said that the provincial administration will also focus on recruiting appropriately qualified and suitably skilled people in key and critical positions in order to reduce over-reliance on consultants.

Such interventions, when implemented in a sustained manner, the AG says, will have a huge impact in improving the provincial audit outcomes.

Current audit results need further effort towards total clean administration

Announcing the province's 2011-12 audit results today, the AG said that many of those audited have hardly made any progress in addressing the previous year's internal control deficiencies. This is mainly due to the majority of auditees not fully honouring their commitments.

This, in turn, has resulted in the province posting audit results that showed an overall regression from the previous year. Among the notable causes that led to the regression are auditees failing to comply with laws and regulations that govern their administrative environment; the prevalence of findings on predetermined objectives; and auditees making material adjustments to their financial statements after auditors had highlighted mistakes.

In addition, despite firm commitments by the provincial leadership in the past year to improve the situation, Nombembe said significant deficiencies in leadership, financial and performance management as well as governance remained unchanged.

A brief summary of Mpumalanga's overall audit results shows the following:

- One (6%) auditee improved to clean administration
- Three (17%) auditees (including the provincial revenue fund) maintained clean audit outcomes from the previous year
- Nine (50%) auditees were unable to address prior year findings on predetermined objectives and/or compliance with laws and regulations (in order to obtain clean audit outcomes)

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- One (6%) auditee was unable to sustain the clean audit outcome from the previous year and regressed to financially unqualified with matters
 - Two (11%) auditees regressed from clean and financially unqualified audit outcomes with matters to qualified audit outcomes

Nombembe says the province's clean audit results are unfortunately overshadowed by the stagnation and regression of the other auditees.

"The lack of implementation, in a timely manner, of recommendations that were clearly defined in the previous audit led to the province's regressed audit outcomes. This was despite the efforts of my office to intensify interactions with the leadership at all levels on a quarterly basis to align the action plans to the findings raised in the management reports and to review and monitor progress towards institutionalising financial and performance management practices. Progress towards total clean administration will be achieved only when administrative shortcomings highlighted by auditors are addressed and closely monitored by all those charged with governance. The premier's office and the other auditees who had addressed our previous findings are good testimony to this. Others have to use these good governance practices as a benchmark to be emulated," Nombembe emphasised.

He said that he believes Premier Mabuza's pronouncements and interventions will go a long way in addressing these results.

The AG reiterated his office's commitment to assisting auditees, highlighting that following the launch of government's *Operation clean audit* in July 2009, he had introduced regular engagements with municipal, provincial and national political leaders to share his office's assessment of key controls in the areas mentioned above and to identify threats to clean audits. These engagements helped to create greater

awareness on matters that require urgent attention to enable the realisation of clean administration at all spheres of government.

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Media note:

The complete general report on the PFMA audit outcomes of Mpumalanga is available on www.agsa.co.za.

About the AGSA:

The AGSA is the country's supreme audit institution. It is the only institution that, by law, has to audit and report on how government is spending taxpayers' money. This has been the focus of the AGSA since its inception in 1911 – the organisation celebrated its 100-year public sector auditing legacy in 2011.

ADDITIONAL MEDIA INFORMATION

About the Mpumalanga government

Provincial government comprises 14 departments (which include the provincial legislature and the provincial revenue fund) and four public entities.

Summary of audit outcomes for the current and previous year

Audit outcomes	Departments*		Public entities		Total	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
Financially unqualified with no findings (clean audits)	3	4	1	1	4	5
Financially unqualified with findings	8	9	2	2	10	11
Financially unqualified financial statements	79%	93%	75%	75%	78%	89%
Qualified opinion, with findings **	3	1	0	0	3	1
Adverse opinion, with findings **	0	0	0	1	0	1
Disclaimer of opinion, with findings **	0	0	1	0	1	0
Financially qualified financial statements	21%	7%	25%	25%	22%	11%
Total number of audits in the province	14	14	4	4	18	18
Total number of auditees with other findings on predetermined objectives and compliance with laws and regulations:						
Predetermined objectives findings only	0	0	0	0	0	0
Compliance with laws and regulations findings only	3	3	1	1	4	4
Findings on both predetermined objectives and compliance with laws and regulations	7	7	2	2	9	9

* Including legislature & revenue fund

** "With findings" denotes findings on predetermined objectives and/or compliance with laws and regulations.

Summarised movement in overall audit outcomes

End.

