



Auditing to build public confidence

MEDIA RELEASE

12 March 2013

Auditor-General pleased by Northern Cape Acting Premier’s pronouncement on clean governance, but calls for provincial government leadership to immediately increase momentum to eliminate remaining administrative hurdles

KIMBERLEY – Auditor-General (AG) Terence Nombembe has welcomed as pleasing, the recent pronouncement by Northern Cape’s Acting Premier Grizelda Cjiekella that her provincial government has developed a strategy aimed at drastically improving audit outcomes to meet the government’s fast-approaching Clean Audit 2014 deadline.

But the AG urged the provincial government to immediately increase its momentum towards clean administration by implementing recommendations highlighted in his office’s audit reports.

Announcing the provincial administration’s audit results for 2011-12, Nombembe said the pronouncement was “pleasing and welcomed as it is likely to set the tone that the provincial leadership means serious business (in improving its administration)”; however, he said this announcement needed to be translated into immediate action guided by the audit recommendations the leadership had previously committed to.

State of overall audit results for 2011-12

For the year under review, the AG reported that the Northern Cape's audit outcomes have generally regressed, with none of the 13 departments and nine state entities reported on receiving a clean audit opinion.

Excessive use of external consultants, lack of sustainable internal control systems and lack of accountability for poor performance are some of the obstructions that have prevented the Northern Cape government from improving its audit results for 2011-12.

While, for example, two (9%) auditees progressed to financially unqualified audits with the auditors raising issues that need to be addressed, the audit outcomes of four (18%) auditees that received clean reports in the previous year have deteriorated to qualified opinions. Seven (32%) auditees failed to address matters that had led to their qualification in 2010-11.

Nombembe said the province's overall decline in audit results was largely due to the administration's lack of accountability for poor performance, vacancies in key positions, over-reliance on consultants, lack of regular checks and balances regarding reported information and compliance, and poor information systems.

He said despite provincial government leadership's firm undertaking to address glaring administrative loopholes identified by auditors in the previous year, very little progress had been made to strengthen the province's internal controls, resulting in general regression because auditees repeated the administrative errors already highlighted.

Only the Department of Social Development managed to submit reliable financial statements that required no adjustments during the audit process. This means that 95% of all the province's audit opinions would have been either qualified or disclaimed had adjustments not been effected during the audit.

The reasons for this and the regression in audit outcomes included a lack of regular credibility checks on financial information, lack of consequences for non-performance by the head of department and failure by the political leadership to implement recommendations highlighted in previous audit reports and during regular meetings with AGSA officials.

Nombembe said it was encouraging to note that some auditees had started appointing and ensuring the effective functioning of audit committees and filling vacancies in their internal audit units. This, he said, is an important step towards improving the province's audit results, but he emphasised that

provincial leadership should lead by example and set the tone in ensuring that turnaround strategies are developed and implemented without delay to enable the province to achieve better audit outcomes.

The AG reiterated his office's commitment to assist 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 and identify threats to clean audits. These engagements helped to create greater awareness of matters that require urgent attention to realise clean administration in all spheres of government.

Issued by:

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Media note:

The complete *General report on the PFMA audit outcomes of the Northern Cape* 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 Northern Cape government

Provincial government comprises 26 auditees, namely 14 departments (including the provincial legislature and the provincial revenue fund) and 12 public entities.

The public entities include five provincial public entities, one trading entity and six other entities that are not subject to the Public Finance Management Act (PFMA). The number of public entities has increased from nine to 12 since the 2010-11 financial year due to the establishment of three new public entities.

Some notable highlights

- Twenty-two auditees (85%) submitted their annual financial statements on time.
All departments submitted their financial statements on time.
- Seventeen of the 19 auditees (89%) that were required by legislation to report on their performance against predetermined objectives were able to submit their annual performance reports on time.
- Four (15%) auditees were unable to meet the legal requirement for timely submission of financial statements.
- Only one (5%) auditee submitted financial statements that required no material adjustments and achieved a financially unqualified audit outcome.
- Entities' non-submission of financial statements by the legislated date is due to poor oversight by the controlling departments.

Summary of audit outcomes for current and prior 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)	0	0	0	0	0	0
Financially unqualified with findings	5	9	3	1	8	10
Financially unqualified financial statements	36%	64%	25%	11%	31%	43%
Qualified opinion, with findings	7	4	5	3	12	7
Adverse opinion, with findings	0	0	1	0	1	0
Disclaimer of opinion, with findings	1	1	0	2	1	3
Number of audit reports not issued by 30 September 2012	1	0	3	3	4	3
Outstanding audits and financially qualified financial statements	64%	36%	75%	89%	69%	57%
Total number of audits in the province	14	14	12	9	26	23

* Including legislature and provincial revenue fund

Summarised movement in overall audit outcomes

The following table analyses the movement in provincial government and public entity audit outcomes between the current and previous financial year.

Movement in audit outcomes from 2010-11						
Audit opinion	Improvement	Unchanged	Regressed	New auditees	Total auditees reported on	Outstanding audits - prior year opinion
Financially unqualified with no findings		0			0	0
Financially unqualified with findings	2	5		1	8	1
Qualified, with findings	1	5	4	2	12	0
Adverse/ Disclaimer, with findings		2			2	0
No prior audit outcome yet						3
Total	3	12	4	3	22	4

End.