AUDITOR-GENERAL
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Mpumalanga PFMA 2014-15 audit outcome highlights

The provincial government consists of 12 departments, the legislature and four public entities. All 17 auditees submitted their financial statements for the 2014-15 financial years for auditing within the legislated time lines.

The total budgeted expenditure for the departments and the legislature in the province was R37 billion in the 2014-15 financial year. The budget figure only includes voted departmental funds (in order words, public entities are not included). The following were the main areas of expenditure:

- Employees costs –R22 billion
- Goods and services – R7 billion
- Capital expenditure- R3 billion
- Transfer payments – R5 billion.

Overall, there has been a regression in the audit outcomes. Although two auditees have improved their audit outcomes since the previous year, the regression at four other auditees had a negative impact on the overall audit outcomes of the province.

The department of Finance, Mpumalanga Gambling board and Cooperative Governance and Traditional Affairs managed to retain clean audit opinions. The provincial legislature reclaimed its clean audit status from an unqualified audit opinion with findings, while Social Development and Mpumalanga Regional Training Trust regressed from a clean audit to an unqualified and qualified audit opinion, respectively. Education and Mpumalanga Tourism and Parks Agency also regressed from an unqualified audit opinion with findings to a qualified audit opinion.

Human Settlements, Culture, Sports and Recreations, Economic Development and Tourism the Office of the Premier and Public Works, Roads and Transport remained unqualified with findings either on predetermined objectives or on compliance with legislation, while Health, Mpumalanga Economic Growth Agency and Community Safety, Security and Liaison remained unchanged with a qualified audit opinion.

The introduction of the fifth administration brought about changes in the political leadership as more than 60% of the MECs were new. There were also changes in the administrative leadership due to resignations and the expiry of employment contracts of heads of departments (HoDs) during the year. All of this contributed to the delay in the implementation of our recommendations and those of other role players aimed at addressing weaknesses in the internal control environment that had resulted in poor audit outcomes.

Only seven auditees (41%) submitted financial statements that did not require material adjustments to avoid qualification.

Of concern is that over the three years since 2012-13, non-compliance with key legislation has remained high, with 13 auditees (76%) reported as having material findings on compliance with key legislation in the 2014-15 year.

Irregular expenditure of R2,339 billion was incurred by 12 auditees (71%) for the period under review, with the Health and Education being responsible for 89% of this expenditure. The significant irregular expenditure incurred in the province was largely due to failure by the auditees to follow a competitive bidding or quotation process when procuring goods and services.

The irregular expenditure incurred in the province was also attributed to the establishment of the Rapid Implementation Unit (RIU) in the Office of the Premier. The executive in the province took a decision to establish this unit to clear the bottleneck in the completion of service delivery projects. None of the projects procured through RIU had followed all the SCM prescripts, and this led to irregular expenditure of R300 million being incurred by the user departments

The financial health of the province has deteriorated since the previous year. Four auditees had a cash shortfall of more than 10% of next year's appropriation (budget), two of which are service delivery departments (Education and Health) which account for 68% of the provincial budget. These departments may not be able to meet their service delivery targets for the next year (2015-16) because of these cash shortfalls. Two auditees were in an overdraft position, namely the department of Public works, Roads and Transport and, for the first time, the Social Development. The identified shortfall is an indication of serious cash flow management challenges at these departments which need serious intervention by the administration and political leadership.

In order for the provincial government to improve the audit outcomes, administrative and political leaders need to strengthen their relationship and ensure better collaboration. We further believe that should the administrative and political leadership begin to implement the recommendations of the different assurance providers and apply consequences for transgressions, there would be an improvement in the outcomes. **End**