

SCOPA BRIEFING NOTE



PFMA audit outcomes of the 2017-18 financial year for

Western Cape Government Motor Transport Trading Entity

19 October 2018

*Issued under embargo until
SCOPA is briefed on the audit outcome*



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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Under embargo

1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

1.2 Purpose of document

The purpose of this document is to provide an executive summary of the audit outcomes of the financial audit, audit of performance information and compliance with key legislation of the Western Cape Government Motor Transport Trading Entity for the 2017-18 financial year.

1.3 Overview

The Western Cape Government Motor Transport is a trading entity of the Western Cape Department of the Transport and Public Works.

The trading activities of the entity focus on the provision of vehicles to national and provincial departments and related state institutions at a fee approved by the Provincial Treasury. The services of the entity are similar to a car hiring entity, only that the target market is the state institutions. The tariffs (daily and kilometre) cover the replacement and the maintenance of the fleet.

1.4 Organisational structure

Designation	Incumbent
MEC	Mr D Grant
Head of department (accounting officer)	Ms J Gooch
Chief financial officer	Adv C Smith
Director: Fleet Services	Mr A Janse van Rensburg (Acting)
Director: Fleet Finance	Mr R Wiggill

1.5 Funding

As disclosed on page 12 of the entity's annual report, the Western Cape Government Motor Transport Trading Entity spent R600,0 million of an operating budget of R624,1 million, resulting in an overall under-expenditure of R24,1 million or 3,9% (2016-17: 11,2% under-spent).

As disclosed on page 10 of the entity's annual report, the entity's revenue budget of R682,1 million was exceeded by R38,6 million or 5,7% (2016-17: 1,3% under-collected). An amount of R720,7 million was collected during the 2017-18 financial year of which R582,7 million was from daily and kilometre tariffs and interest earned on finance lease receivables.

Detailed explanations for the underspending on the expenditure budget and over-collection on the revenue budget are set out on pages 12 and 13 of the entity’s annual report in respect of expenditure, as well as pages 118 to 120 in respect of revenue and expenditure.

2. Audit opinion history

Details	2017-18	2016-17	2015-16
Audit opinion			
Findings on compliance with laws & regulations	No	No	No
• Material misstatements in financial statements submitted	No	No	No
• Procurement and contract management	No	No	No
• Revenue management	No	No	No
• Expenditure management	No	No	No
• Utilisation of conditional grants	N/A	N/A	N/A
• Strategic plan and performance management	No	No	No
• Consequence management	No	No	No
Findings on predetermined objectives	No	No	No
Internal control deficiencies	No	No	No

Audit opinions

	CLEAN AUDIT OPINION (no findings on PDO or compliance with laws & regulations)
	UNQUALIFIED with findings on PDO and/or compliance
	QUALIFIED AUDIT OPINION (with or without findings)
	DISCLAIMER/ADVERSE AUDIT OPINION

PDO = Predetermined objectives (audit of performance information/ service delivery/annual performance report)

2.1 Significant emphasis of matter

No matters were raised.

2.2 Significant additional matters

No matters were raised.

3. Key focus areas

3.1 Compliance focus areas

No material findings were raised on any of the compliance focus areas indicated in paragraph 2 of this document.

3.2 Predetermined objectives

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the entity for the year ended 31 March 2018:

Objective	Pages in the annual performance report
Objective 1 – improve efficiency of the government vehicle fleet through efficient utilisation, effective fleet management and provision of quality services	40 to 41

I did not raise any material findings on the usefulness and reliability of the reported performance information for these programmes.

Other matters relating to predetermined objectives

I draw attention to the following matter:

Achievement of planned targets: Refer to the annual performance report on pages 40 and 41 of the entity's annual report for information on the achievement of planned targets for the year and explanations provided for the under/overachievement of a significant number of targets.

3.3 Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

I did not identify any significant deficiencies in internal control.

4. SCOPA resolutions

Pages 55 to 56 of the entity's annual report details feedback on the resolutions or matters of concern included/raised in the prior year's *Report of the Standing Committee on Public Accounts*.

5. Emerging risks

5.1 New pronouncements

Standards of GRAP: The ASB, on a regular basis, issues new GRAP standards and interpretations. These standards only become effective once an effective date has been gazetted by the Minister of Finance. A number of GRAP standards and interpretations have been issued by the ASB, but the effective dates have not yet been gazetted. Entities are encouraged to familiarise themselves with such standards to ensure that adequate processes are put in place to ensure full compliance once the standards become effective.

5.2 New legislation

Treasury Regulations: The Treasury Regulations are currently being revised, which may introduce a number of new requirements once effective.

5.3 Risks that require continuous monitoring

Local content: The compliance requirements of local content for commodities within designated sectors are applicable for all tenders. The term tender in terms of the Preferential Procurement Regulations of 2017 is attributed to all awards above R30 000.

B-BBEEE Act: Paragraph 13G requires all spheres of government, public entities and organs of state to report on their compliance with broad-based black economic empowerment in their audited annual financial statements and annual reports required under the PFMA. Discussions are ongoing between the AGSA and B-BBEE Commission to scope this requirement into the audit for the 2018-19 financial year.