



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Ad Hoc Committee Inquiring into the Intervention in the North West Provincial Government—

A Summary of the 2017/18 AG Findings for the Five North West Departments Under Section 100(b) Administration



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30 January 2019



Introduction

- This presentation will provide Members of the Ad Hoc Committee Inquiring into the Intervention in the North West Provincial Government with an overview of the 2017/18 audit findings of the North West provincial departments, specifically focusing on the five departments that are under Section 100 (b) administration.
- The audit findings will provide Members with insight into the general well-being of the departments as it relates , specifically to financial health.

An Overview of Auditor General (AG) Findings for the North West Province

- The provincial government in the North West Province consists of 33 auditees, which include 13 departments (including the provincial legislature) and 20 entities, which are fewer than in the previous year due to the closure of three entities.
- The Department of Health and the department of Social Development did not submit financial statements on 31 May 2018 as required by legislation due to prolonged strikes. Consequently, these audits have not yet been finalised.
- In addition, the audit of the Premier's office had also not been finalised by the cut-off date of 31 August 2018 for inclusion in The 2017/18 AG report.



An Overview of AG Findings for the North West Province cont

- The overall audit outcomes have continued to regress over the past four years, with the number of auditees obtaining financially unqualified opinions decreasing from 10 in 2014/15 to seven per in 2017/18.
- The number of auditees with qualified or disclaimed opinions increased from eight in 2014/15 to 12 in 2017/18.
- In the current administration, the Provincial Treasury was the only department that was able to sustain its clean audit outcome of financially unqualified with no findings over the past four years, however none of their best practices were replicated to other auditees.



Key Concerns raised by AG

- The AG opines that the provincial leadership did not prioritise the redress of undesirable audit outcomes despite the warnings of the lack of accountability and consequences in the province.
- The AG concludes that the establishment of a provincial advisory committee by the Premier, to specifically assist with the clearing of irregular expenditure, was not effective; while the Premier's office did not adequately monitor the post-audit action plans of departments.
- The AG stated that the poor quality of submitted financial statements remains a concern. Only one auditee would have obtained an unqualified opinion had the auditees not been afforded the opportunity to correct the misstatements identified during the audit process. This can mainly be attributed to vacancies and instability with regard to key financial positions.



Key Concerns raised by AG cont

- All auditees had material findings on compliance with laws and regulations, except for the Provincial Treasury.
- The main areas of concern over the four-year period remained the lack of controls to prevent irregular as well as fruitless and wasteful expenditure and the non-adherence to procurement and contract management requirements due to the blatant disregard of key legislation.
- In addition, the lack of investigations and consequence management was the main driver of the increased irregular expenditure and consequently heightened the culture of non-compliance.



Key Concerns raised by AG cont

- According to the AG, the Department of Health remains the most financially vulnerable. The Department is faced with litigations and claims in excess of R1. 2 billion as well as accruals and payables in excess of 30 days.
- The entire province's finances will be affected adversely should these claims be successful and outstanding creditors be payable immediately.
- Together with the high percentage of future budgets committed for amounts payable in the current year by Community Safety and Transport Management, Local Government, Human Settlements, and Education and Sports Development, placed the departments and the province as a whole in a financially vulnerable position and consequently hampered service delivery.



Audit Outcomes of the Five Departments under Section 100 (B) Administration

Auditee	Audit opinions						Improvement/Regression/Unchanged
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	
Education and Sports Development	Qualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unchanged
Community Safety and Transport Management	Unqualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Unchanged
Public Works and Roads	Disclaimed with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Qualified with findings	Unchanged
Health	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings	Audit not finalised at legislative date	Regression
Office of the Premier	Qualified with findings	Unqualified with findings	Unqualified with findings	Qualified with findings	Qualified with findings	Audit not finalised at legislative date	Regression



Unauthorised, Irregular and Fruitless & Wasteful Expenditure

Auditee	Unauthorised expenditure Amount R (m)			Irregular expenditure Amount R (m)			Fruitless and wasteful expenditure Amount R (m)		
	2016/17	2017/18	Increased/ Decreased	2016/17	2017/18	Increased/ Decreased	2016/17	2017/18	Increased/ Decreased
Education and Sports Development				223,70	197,20	-26,50	0,17	0,20	0,03
Community Safety and Transport Management				880,20	981,20	101,00	0,14	0,16	0,02
Public Works and Roads				550,70	1 138,50	587,80	3,80	4,70	0,90
Health	99,60			714,90			77,30		
Office of the Premier				19,90			0,20		



Findings on Predetermined Objectives, Non-Compliance and Risk Areas

- **AG Findings for the Department of Education and Sports Development, include:**
- Repeat findings on Predetermined objectives, namely reported information is not useful, nor is it reliable.
- Repeat findings on Non-compliance with legislation, with regard to:
 - Material misstatement or limitations in submitted financial statements,
 - Unauthorised, irregular, as well as fruitless and wasteful expenditure,
 - Revenue management, and
 - Procurement management.
- The Department also incurred new findings on non-compliance with legislation as it relates to consequence management and Strategic planning and performance management.
- Repeat findings on Specific Risk Areas, related to the quality of submitted performance reports and supply chain management.
- The AG found the Department's financial health to be unfavourable and also raised concern with regard to the department's human resource management and information technology.

Findings on Predetermined Objectives, Non-Compliance and Risk Areas cont

- **AG Findings for the Department of Community Safety and Transport Management, include:**
- Repeat findings on Predetermined objectives, namely reported information is not useful, nor is it reliable.
- Repeat findings on Non-compliance with legislation, with regard to:
 - Material misstatement or limitations in submitted financial statements,
 - Unauthorised, irregular, as well as fruitless and wasteful (UIF& W) expenditure, and
 - Expenditure management.
- The Department also incurred new findings on non-compliance with legislation as it relates to consequence management and Strategic planning and performance management.
- Financial Statement qualification areas include:
 - Repeat findings on non-current assets and expenditure, and
 - New findings on other disclosure items and UIF & W expenditure.
- Repeat findings on Specific Risk Areas, related to the quality of submitted performance reports and supply chain management.
- The AG found the Department's financial health to be unfavourable and indicated that the department's information technology requires intervention.

Findings on Predetermined Objectives, Non-Compliance and Risk Areas cont

- **AG Findings for the Department of Public Works and Roads, include:**
- Repeat findings on Predetermined objectives, namely reported information is not useful, nor is it reliable.
- Repeat findings on Non-compliance with legislation, with regard to:
 - Material misstatement or limitations in submitted financial statements,
 - Unauthorised, irregular, as well as fruitless and wasteful expenditure,
 - Revenue management, Procurement management, Expenditure management and Consequence management,
 - Strategic planning and performance management, and
 - Transfers and conditional grants.
- Financial Statement qualification areas include:
 - Repeat findings on non-current assets, other disclosure items, expenditure, and UIF & W expenditure, and New findings on current assets and liabilities.
- Repeat findings on Specific Risk Areas, related to the quality of submitted performance reports and supply chain management.
- The AG found the Department's financial health to be unfavourable and also raised concern with regard to the department's information technology, while the department's human resource management requires intervention.

Conclusion

- From the results and discussion, it can be concluded that more needs to be done in addressing the audit outcomes of the province.
- Although there were no transactions relating to unauthorised expenditure, the irregular, fruitless and wasteful expenditure that still prevails, particularly in the department of Public works needs to be addressed.
- The findings of the AG, particularly the repeat findings also need to be addressed as these are matters relating to non-compliance and therefore fiscal prudence and discipline needs to be enforced.

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Thank You