

2020-21

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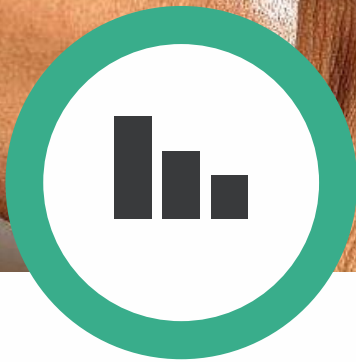
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WESTERN CAPE
PROVINCIAL
GOVERNMENT
2020-21 AUDIT
OUTCOMES



A U D I T O R - G E N E R A L
S O U T H A F R I C A

REPUTATION PROMISE



The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

MISSION



To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability.

VISION

OUR MESSAGE FROM PREVIOUS GENERAL REPORT



Clean outcomes achieved during a troubled 2020 with disruptions to normal operations, by **leadership setting a strong tone** at the top to maintain a sound control environment – particularly effective preventative controls.



Education remained unqualified with findings as the department had **recurring findings** on the quality of its performance information.



It is encouraging that every auditee in the province submitted their annual financial statements on time for auditing, **without requiring any material corrections** thereto which is reflective of institutionalised controls over the financial statements preparation processes.



Solid consistent pattern, but significant rise in irregular expenditure is of concern



The financial health of the province showed that the principles and disciplines of **budget and expenditure management were sound** and able to prevent any unauthorised expenditure and limit fruitless and wasteful expenditure



Irregular expenditure **increased significantly to R288 million** due to non-compliance with supply chain management prescripts. **Human Settlements accounted for 92%** of the provincial irregular expenditure reported.



Strengthen the **assurance provided by senior management** in the area of supply chain management and address control weaknesses as soon as identified.



Maintain the **strong controls** in the area of financial and performance reporting. Maintain the effective functioning of **oversight structures** that oversee performance and financial governance at departments and entities.



OUR MESSAGE from the 2020-21 audit outcomes

Robust control environment; however, legislative interpretations pose risk to compliance

Irregular expenditure continues to increase

- Procurement findings persisted in the current year, resulting in irregular expenditure increasing further from R287,9 million to R328,9 million.
- Human Settlements audit outcome regressed due to various procurement findings reported in the audit report. As a result, the department contributed 87% (2019-20: 92%) of the province's total irregular expenditure.
- The province's irregular expenditure closing balance has also increased significantly from 2018-19, largely due to the irregular expenditure related to the Department of Human Settlements.

OUR MESSAGE from the 2020-21 audit outcomes (continued)

Going forward

- Our message is that the province should clarify interpretation of complex legislative prescripts and departures through consultation with the National Treasury, as this is one of the key reasons for our findings on supply chain management. These findings, among others, are also the driving force behind the increase in irregular expenditure. Therefore, dealing with it will address the two most significant issues for the province currently being material findings on procurement and the growing irregular expenditure.

To further improve accountability, we also recommend that the province:

- strengthen the assurance provided by senior management in the area of supply chain management and address control weaknesses as soon as identified. Leadership continued to rely on the audit process to identify key control deficiencies
- maintain the strong controls in the area of financial and performance reporting. The Department of Education and Casidra should create credible action plans, and ensure that the implementation of these plans are monitored at senior management level to address the control weaknesses around performance reporting.
- maintain the effective functioning of oversight structures that oversee performance and governance at departments and entities.



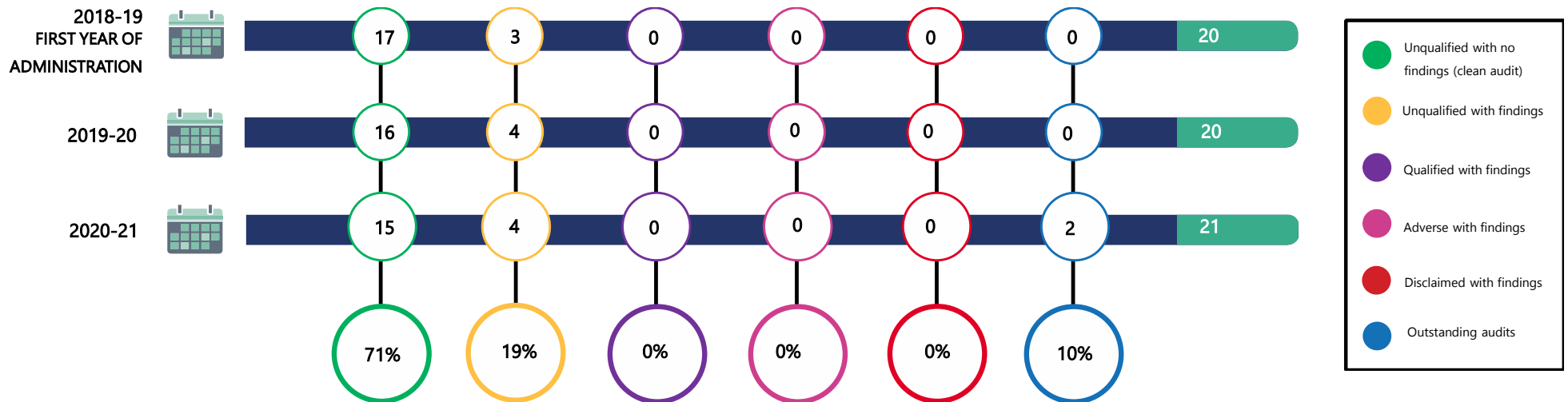
AUDIT OUTCOMES



AUDITOR-GENERAL
SOUTH AFRICA

IMPROVEMENT IN AUDIT OUTCOMES

Cut-off date for reporting of audit outcomes: 21 October 2021



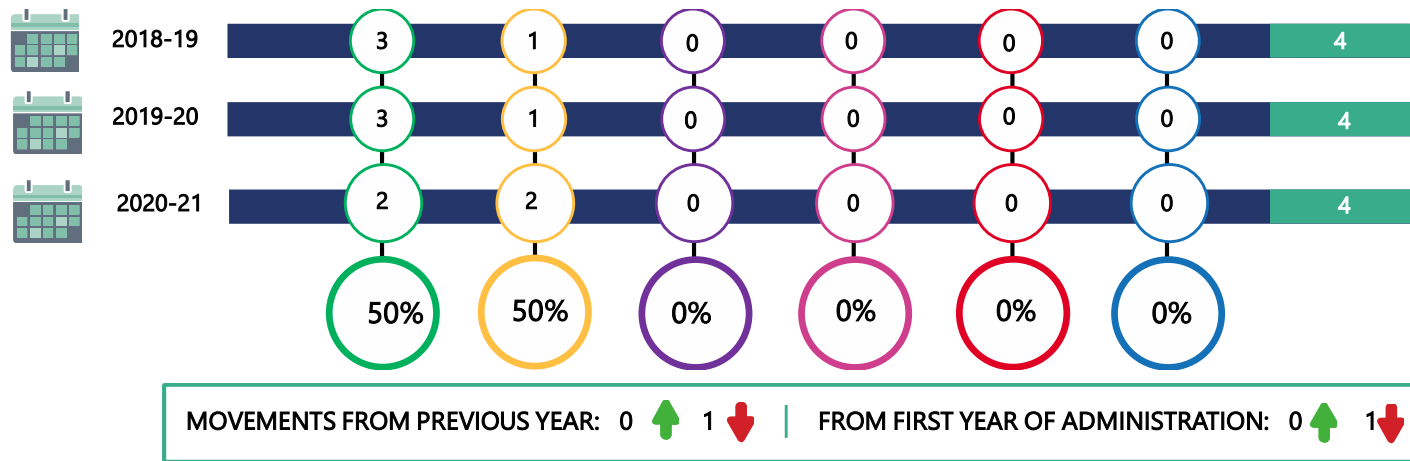
CLEAN AUDIT:

● **1** Improved to clean
● **13** Sustained clean audit status
● **0** Lost clean audit status
● **3** Close to clean audit status

MOVEMENTS FROM PREVIOUS YEAR: 1 ↑ 1 ↓ FROM FIRST YEAR OF ADMINISTRATION: 1 ↑ 2 ↓

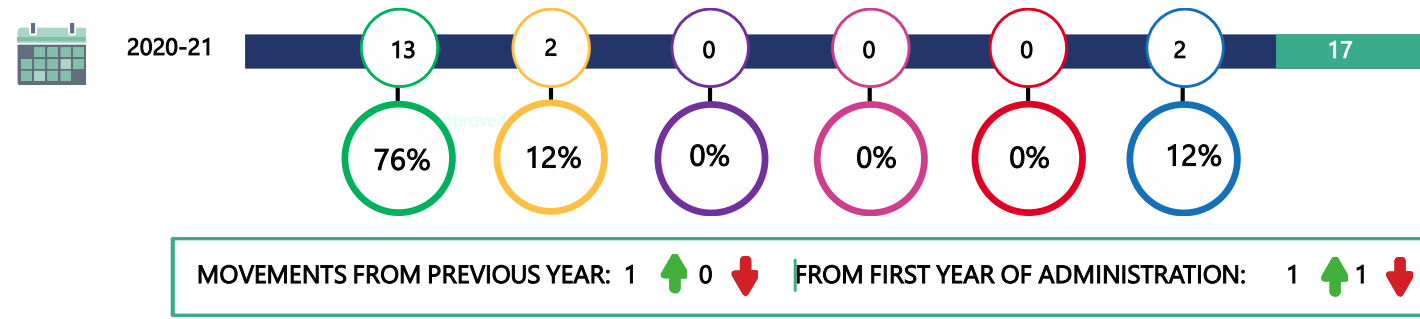
OUTCOMES OF KEY SERVICE DELIVERY DEPARTMENTS vs OTHER DEPARTMENTS

Key service delivery departments (Health, Education, Public works, Human settlements)










- Unqualified with no findings (clean audit)
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Outstanding audits

Departments - other

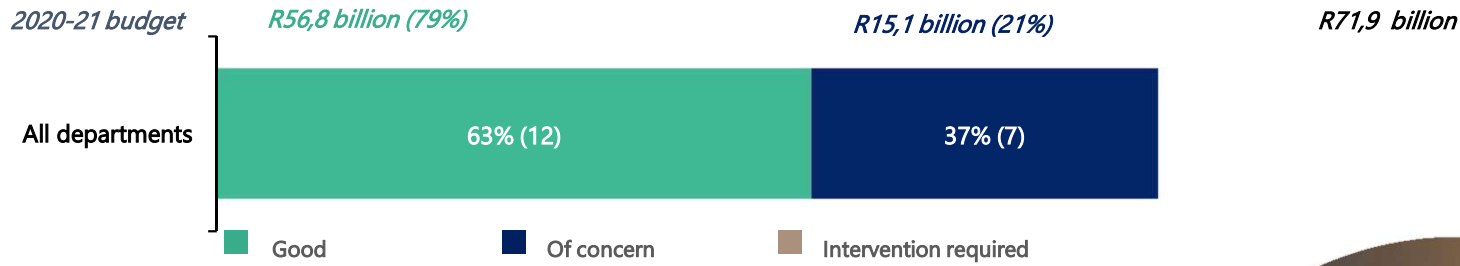


QUALITY OF FINANCIAL STATEMENTS

 Timely submission and quality of financial statements	Movement from previous year	2020-21	2019-20	Movement over 3 years	2018-19
Submission of financial statements by legislated date (all auditees)		95%	100%		100%
Quality of financial statements submitted for audit		95%	100%		100%
Quality of published financial statements		100%	100%		100%

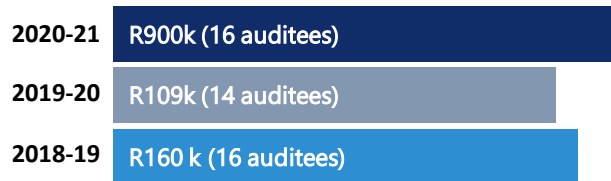
5% had no material findings only because they corrected all misstatements identified during the audit

FINANCIAL HEALTH STATUS



No unauthorised expenditure for the past three years

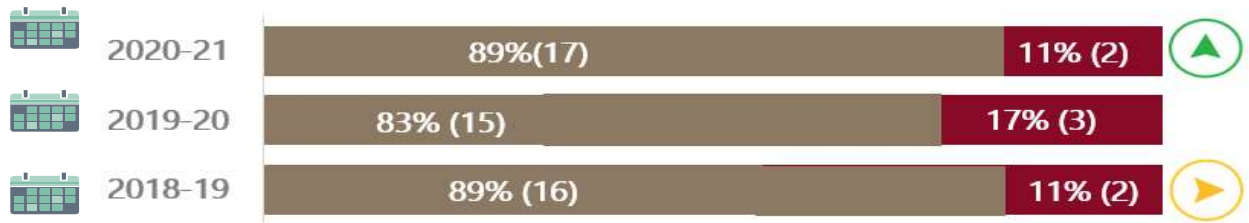
Fruitless and wasteful expenditure increased but remained low



F&W expenditure have historically been low



NON-COMPLIANCE REMAINS RELATIVELY LOW

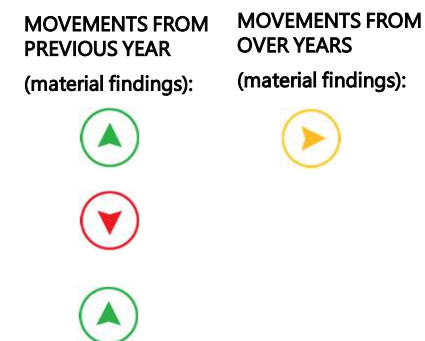
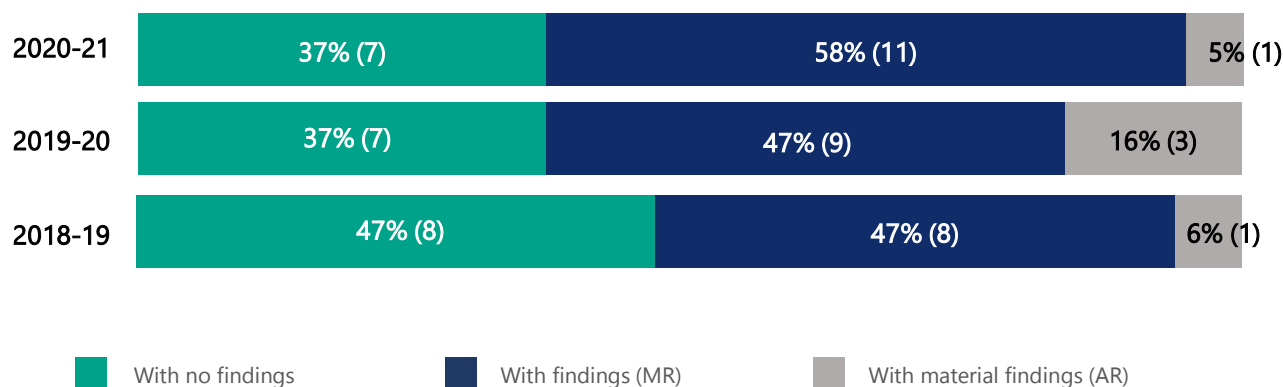


● No material findings ● Material findings

Most common areas of non-compliance	Movement from previous year	2020-21	2019-20	Movement over 3 years	2018-19
Procurement and contract management	▲	5%	17%	▶	5%
Quality of financial statements	▶	5%	0%	▶	5%
Late submission of financial statements	▼	5%	0%	▼	0%

SUPPLY CHAIN MANAGEMENT (SCM)

Status of compliance with SCM legislation



Auditees with improvements in material findings from prior year

- Gambling Racing board, Casidra, and WESGRO
- Auditees improved because senior management took specific steps to address the compliance issues from the prior year

Auditees that regressed

Human Settlement had four material findings on SCM, three related to the same contract on conditions for mandatory subcontracting, functionality criteria not stipulated and differing. In addition some awards were made where suppliers' tax matters had not been declared in order.

Details of SCM non-compliance	Movement from previous year		Movement over 3 years
Uncompetitive and unfair procurement processes		10 auditees (53%)	
Awards to employees		R 92 thousand	
Employees failed to disclose interest in supplier		0 instances	

ANNUAL IRREGULAR EXPENDITURE

incurred by 14 auditees



ANNUAL IRREGULAR EXPENDITURE INCURRED



TOP CONTRIBUTORS

 Human Settlements	R284,6 m
 Health	R29, m
 Transport and Public Works	R8 m

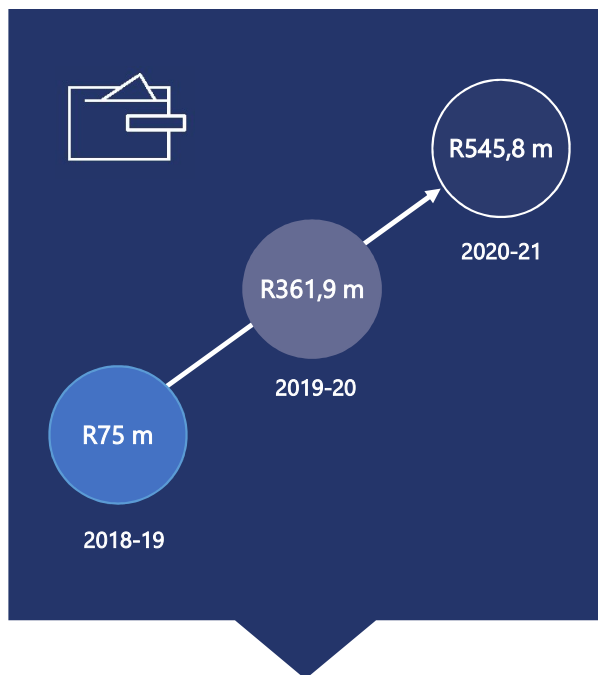


Key reason for increase
Human Settlements accounted for 87% of the irregular expenditure in the province mainly due to four procurement findings.

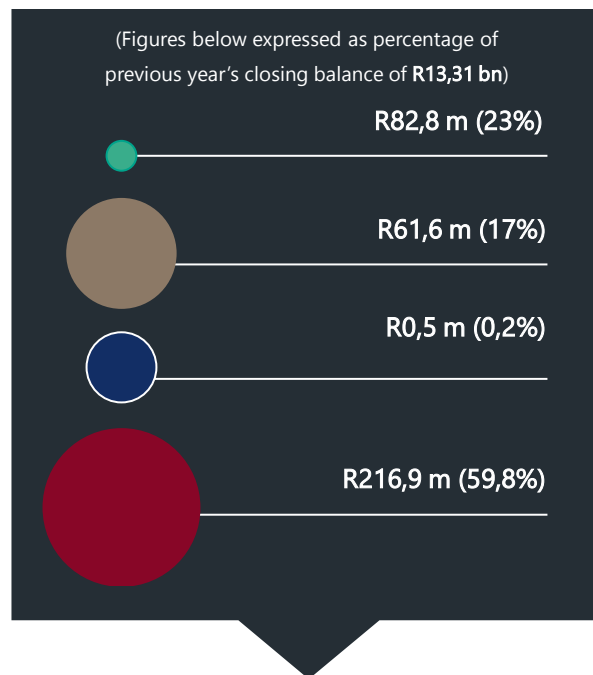


Irregular expenditure is not Complete
No qualifications on irregular expenditure.

IRREGULAR EXPENDITURE NOT SPEEDILY DEALT WITH



Closing balance of irregular expenditure **continues to increase**



How have auditees **dealt with irregular expenditure**

Top 5 contributors (R211,8 million) to irregular expenditure not dealt with – constitutes 98% of R216,9 million







Does inadequate consequences remain a root cause?

No, departments are in the process of dealing with the irregular expenditure balances. Human Settlements submitted an application for condonation to provincial treasury in November 2020.







● Money recovered or in process of recovery
 ● Condoned
 ● Written off
 ● Not dealt with

IMPROVEMENT IN PERFORMANCE REPORTING

A performance report accounts for achievement of performance promises made by an auditee in their plans

Quality of performance reports	Movement from previous year	2020-21	2019-20	Movement over 3 years	2018-19
Quality of performance reports submitted for audit		63%	61%		50%
Quality of published performance reports		83%	88%		88%

16% had no material findings only because they corrected all misstatements identified during the audit

Finding	This means	Movement from previous year	2020-21	Movement over 3 years
Achievement reported not reliable	Services reported as delivered may not have taken place at all or were fewer than those reported		11%	
Performance indicators and targets not useful	Measures used to plan for service delivery not good enough to enable delivery of planned services		5%	
No underlying records or planning documents	We could not confirm anything on the performance report		0%	



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