

SCOPA BRIEFING NOTE



PFMA audit outcomes of the 2020-21

Western Cape Government Motor Transport

12 November 2021

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



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

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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 this document

The purpose of this document is to provide an executive summary of the audit outcomes of the financial audit, the audit of performance information and the audit of compliance with key legislation of Government Motor Transport (GMT) for the 2020-21 financial year.

1.3 Overview

GMT operates as a trading entity within the administration of the Western Cape Department of Transport and Public Works, as part of the department's responsibility for public transport.

A separate annual report is published for this trading entity and therefore a separate briefing document is prepared for the Government Motor Transport Trading Entity.

1.4 Organisational structure

Designation	Incumbent
Member of the Executive Committee (MEC)	Minister D Mitchell (Minister B Madikizela was the MEC for the 2020-21 financial year)
Head of department (accounting officer)	Ms J Gooch
Deputy Director General: Transport Management	Adv K Reinecke
Head: GMT Trading Entity	Mr Y Ahmed
Director: Fleet Finance	Mr R Wiggill

1.5 Funding

As disclosed on page 19 of the entity's annual report, GMT's revenue decreased by 9% to R758,1 million during the year under review (2019-20 R833,1 million). This revenue includes R654,9 million earned from the rental of the vehicle fleet, being R332 million from daily and kilometre charges, and R322,9 million from interest earned on finance leases.

As disclosed on page 20 of the entity's annual report, GMT's total expenditure for the year under review amounted to R598,7 million (2019-20 R601,4 million), including running costs of the fleet amounting to R140,9 million (2019-20: R166,4 million).

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The carrying value of non-current assets increased by 9% year-on-year, mainly as a result of an increase in the cash receipts from finance lease receivables of R37,7 million and R92,8 million of vehicle additions included under property, plant and equipment.

Detailed explanations for these and other financial results are set out on pages 19 to 26 of the entity’s annual report.

2. Audit opinion history

Details	2020-21	2019-20	2018-19	2017-18
Audit opinion				
Findings on compliance with key legislation:				
• Material misstatements in financial statements submitted	No	No	No	No
• Performance and annual reports	No	No	No	No
• Procurement and contract management	No	No	No	No
• Expenditure management	No	No	No	No
• Transfer of funds	No	No	No	No
• Revenue management	No	No	No	No
• Asset management	No	No	No	No
• Strategic planning and performance management	No	No	No	No
• Consequence management	No	No	No	No
Findings on predetermined objectives	No	No	No	No
Internal control deficiencies	No	No	No	No

(The entity has achieved clean audit outcomes for nine consecutive years.)

Audit opinions

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

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2.1 Emphasis of matter

Restatement of corresponding figures: As disclosed in note 39 to the financial statements, on page 191 of the annual report, the corresponding figures for 31 March 2020, were restated as a result of errors in the financial statements of the trading entity at, and for the year ended, 31 March 2021.

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 Performance information

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 outcome presented in the trading entity's annual performance report for the year ended 31 March 2021:

Outcome	Pages in the annual report
Outcome 1 – leaders in mobility solutions (R&D)	61 to 63

I did not identify any material findings on the usefulness and reliability of the reported performance information for this outcome.

Other matters relating to predetermined objectives

I draw attention to the following matters:

Achievement of planned targets: Refer to the annual performance report on pages 61 to 63 of the trading entity's annual report for information on the achievement of planned targets for the year and management's explanations provided for the under-/overachievement of a number of targets.

Adjustment of material misstatements: I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of outcome 1 – leaders in mobility solutions (R&D). As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

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.

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4. SCOPA resolutions

Pages 74 to 75 of the department'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 has issued the following GRAP pronouncements, with effective dates as indicated:

GRAP pronouncement	Effective date
GRAP 20 on Related party disclosures	1 Apr 2021
GRAP 32 on Service concession arrangements: Grantor	1 Apr 2021
GRAP 104 on Financial instruments (revised)	To be determined
GRAP 108 on Statutory receivables	1 Apr 2021
GRAP 109 on Accounting by principals and agents	1 Apr 2021
GRAP 110 on Living and non-living resources	1 Apr 2021
IGRAP 17 on Service concession arrangements where a grantor controls a significant residual interest in an asset	1 Apr 2021
Guideline on Accounting for arrangements undertaken in terms of the national housing programme	1 Apr 2021
Guideline on Accounting for landfill sites	To be determined

5.2 Audit findings on matters that may be recognised as material irregularities in future audits

Audit findings identified in the current year

The amendments to the PAA and the Material Irregularity Regulations issued in terms of the PAA became effective on 1 April 2019.

The amendments introduce the concept of a material irregularity. As per the definition in the PAA, a material irregularity means any non-compliance with, or contravention of, legislation, fraud, theft or a breach of a fiduciary duty identified during an audit performed under the PAA that resulted in or is likely to result in a material financial loss, the misuse or loss of a material public resource or substantial harm to a public sector institution or the general public.

The AG has a statutory discretion to determine the manner of, and time frames within which to

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implement certain elements of the amendments. For the 2020-21 audits, the AG opted to apply a phased approach to the handling of material irregularities, which includes implementing the process only at selected auditees.

Government Motor Transport was not selected in this first phase of implementation, and no significant matters came to our attention during the audit that may be recognised as material irregularities in future when the process is implemented at the trading entity.

Management is encouraged to continue to take appropriate, effective and timeous action to prevent any losses, misuse or harm and to recover any losses. Appropriate steps should also be taken against the responsible officials or other parties.

Audit findings identified in prior years

We did not report in the prior year management report any audit findings that may be recognised as material irregularities in future audits.

5.3 Audit findings on the annual performance report that may have an impact on the audit opinion in future

The planned and reported performance information of the selected outcome was audited against the following additional criteria as developed from the performance management and reporting framework:

Presentation and disclosure – overall presentation

- Overall presentation of the performance information in the annual performance report is comparable and understandable

Relevance – completeness of relevant indicators

- Completeness of relevant indicators in terms of the mandate of the auditee, including:
 - relevant core functions are prioritised in the period under review
 - relevant performance indicators are included for the core functions prioritised in the period under review

No material findings were identified in respect of the additional criteria.

5.4 National instruction notes

Instruction notes are issued by the National Treasury on a continuous basis in terms of section 76 of the PFMA. The arrangement in the Western Cape is that the Provincial Treasury review these instruction notes and re-issue them to the various departments and entities on a selective basis. The risk exists that material non-compliance could arise if certain national instruction notes are not complied with, where the necessary approval from the National Treasury to depart from them was not obtained as required by section 79 of the PFMA.