**MEDIA STATEMENT**

**SCOPA BRIEFED ON DEPARTMENT OF WATER AND SANITATION’S AUDIT OUTCOMES**

The Standing Committee on Public Accounts (SCOPA) was yesterday briefed by the Auditor-General (AG) on the Department of Water and Sanitation’s audit outcomes, along with the audit outcomes of two of its entities, the Water Trading Entity and the Trans-Caledon Tunnel Authority (TCTA).

The AG was concerned by the department’s regression from an unqualified audit opinion with findings in the prior year to a qualified audit. Meanwhile, the two entities remained stagnant with an unqualified audit opinion with material findings on matters of compliance.

The AG also reported that the department continued to incur material amounts of irregular expenditure amounting to R265 million during the year. The majority of the irregular expenditure was caused by deviations from normal procurement processes, which were deemed not justifiable, extension of contracts without prior approval by the delegated official and payments exceeding the commitment value of contracts.

“Investigations into instances of irregular expenditure and allegations against departmental officials were delayed during the year, resulting in consequence management processes not being effective. Management indicated the delays experienced were due to the impact of Covid-19. The lock-down contributed to the lack of availability of staff to conduct the required investigations, resulting in delays”, the AG told the committee.

SCOPA also heard that the Water Trading’s audit outcomes remained unchanged, with an unqualified financial audit opinion, with findings on compliance with legislation. In addition, material misstatements of non-current assets and disclosure items identified by the auditors in the financial statements submitted for audit and corrected by management resulted in the financial statements receiving an unqualified opinion. According to the AG, Water Trading management did not implement adequate preventative internal controls to avoid non-compliance with legislation.

TCTA’s audit outcome remained unqualified, with material findings on compliance with legislation. Inadequate reviews of financial statements and supporting schedules resulted in material misstatements identified on current and non-current assets and liabilities, revenue and expenditure line items and schedules that do not agree with the financial statements submitted for audit.

The AG also made a number of recommendations, including that SCOPA must request the department to focus on the implementation of proper and timely preventative controls to avoid any potential matters that may give rise to material irregularities. This is particularly important since the portfolio incurs large amounts of procurement to implement service delivery objectives.

The AG also recommended that SCOPA should engage with the accounting officer to ensure that the Department of Water and Sanitation takes the necessary action to ensure that credible financial statements are presented for audit, as material misstatements are mainly due to repeat audit findings relating to steps taken to address the prior year’s qualification areas. The War on Leaks programmes must be finalised through proper reconciliations and determination of value obtained from the programme. Payments made must be properly supported to avoid future material irregularity.

SCOPA noted these recommendations and committed to take these matters forward with the department. Committee member Mr Sakhumzi Somyo, who chaired the meeting on behalf of the Chairperson said: “The Auditor-General raises notable instances that we need to take note of when we engage with the department and the entities, with the intention of ensuring rationality and the effective provision of water for the people.”

**Sakhile Mokoena**

**1 September 2022**