

NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER 3547 [NW4252E]
DATE OF PUBLICATION:

Ms A M Dreyer (DA) to ask the Minister of Finance:

With reference to the findings of the Auditor-General on progress in audit outcomes of all national departments and entities reporting to them in the (a) 2008-09, (b) 2009-10 and (c) 2010-11 financial years, (i) why has the number of departments which have received unqualified reports with no findings, decreased over this period, (ii) what steps have been taken against departments and/or entities whose financial management have deteriorated and who have received disclaimers for the first time in the three-year period and (iii) what are the relevant details regarding the increase in irregular expenditure for departments and entities from R13 billion in the 2009-10 financial year to R21,1 billion in the 2010-11 financial year?

NW4252E

REPLY:

- i) An analysis of the Auditor-General's General Report on Audit Outcomes reveals that the negative audit outcomes are largely the result of findings related to Leadership, Financial and Performance Management and Governance. With regard to Leadership, it was found that chief financial officers in many departments do not have the appropriate skills to perform adequately whilst many of their support personnel were not adequately trained in respect of financial management and accounting skills. There was therefore a significant reliance on consultants for the preparation of annual financial statements in such departments.

On matters related to Financial and Performance Management, there is evidence of poor record keeping, inadequate processing and

reconciliation controls whilst problems around Governance include ineffective internal audit units and audit committees.

- ii) A regression in audit outcomes to the extent that a department obtains a disclaimer is always cause for concern. In such instances, the National Treasury prioritizes assistance to such departments through interventions agreed in a strategic support plan entered into between the accounting officer and the Accountant-General. Such a plan contains specific interventions that the department commits to undertake and the National Treasury commits similarly to initiatives that will be undertaken to assist the department rectify the concerns raised by the Auditor-General.

- iii) An analysis of audit reports also reveals that the significant increase in irregular expenditure is the result of departments not adhering to the supply chain management prescripts and departments not amending departmental procedures with the contents of National Treasury practice/instruction notes resulting in implementing personnel not being aware of any changes. There are also instances where management knowingly over-rides prescripts.