



We've been qualified, but...

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Irregular expenditure -the only qualification matter- stood between the department and the Auditor General giving us an unqualified audit in the past financial year. While a qualified opinion was the AG final verdict, there is a strong believe within the department, that the quality of work put in by the team during the audit process -spear-headed by Risk Management and Internal Control- may have just missed an unqualified audit opinion by a whisker, and thumbs up from the AG.

What is a qualified opinion?

It is an opinion that indicates there was either a scope limitation, an issue discovered in the audit of the financials that were not pervasive, or an inadequate footnote disclosure. Furthermore, it is an opinion that the financials are fairly presented, with the exception of a specified area. Limitation of scope also arise when the AG is unable to obtain sufficient evidence to verify various aspects of the transactions and reports being audited. This opinion, finds expression in Public Finance Management Act (Section 40(3) of the which requires the disclosure of irregular expenditure incurred in the notes to the financial statements.

The AG found department made payments of R209 654 354 (2021): R126 549 194 in contravention with the supply chain management requirements. This the AG said were not included in irregular expenditure disclosed. "AG said the department did not "quantify the full extent of the irregular expenditure", and as a result, it was impracticable" for auditors to determine the resultant understatement of irregular expenditure as disclosed in our financial statements, That said, some key area was flagged, but those did not influence and qualification of the department on irregular expenditure.

The areas were: Underspending of the budget, fruitless and wasteful expenditure; and restatement. Fruitless and wasteful expenditure of R358 000 was incurred in the current year and fruitless and wasteful expenditure of R17 658 000 from prior years have not yet been dealt with in accordance with the prescripts.

On restatements, the AG found the corresponding figures for accrued departmental revenue, immovable tangible capital assets, movable tangible capital assets, minor assets and capital work in progress have been restated as a result of errors discovered during the financial year ended 31 March 2022. The AG found underspent the budget on Public Works Infrastructure with R48 652 000 and Transport Infrastructure with R466 256 000 This, according the AG was due to "inadequate project planning and management."

That said, the department can find comfort in the fact that it has maintained a qualified audit opinion with irregular expenditure being the only qualification matter. The department did not decline as compared to last financial year, but actually improved. It was unqualified on performance management compared to previous audit. The department also reduced the level of materiality of findings in terms of management of irregular expenditure even though qualified. In an effort to mitigate and address the AG's findings, the department has just finalised its Post Audit Action Plan.



The plan seeks to strengthen internal control systems. Implementation of the plan will be monitored as it serves as a tool to assist the department towards its goal of achieving unqualified audit opinion in the financial year 2022/23.

*Meanwhile the newly appointed Chief Financial Officer, Peter Modika (pictured below) has expressed concern about department's irregular expenditure which he has prioritised for immediate intervention.

Ends

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