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INADEQUATE RECORDS

Shambolic public works slapped with adverse audit opinion

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The Department of Public Works's finances regressed in 2016-17 and it obtained an adverse audit opinion because of weaknesses in its Property Management Trading Entity.

For years, the department has been characterised by rampant maladministration.

The adverse finding, one of the worst and an indication of a shambolic state of affairs, was expressed by Auditor-General Kimi Makwetu, who said he was unable to obtain enough audit evidence on outstanding payable amounts.

Makwetu is scheduled to appear before the standing committee on public accounts on Tuesday to give a full picture of how the government performed in the 2016-17 financial year.

Makwetu said that Department of Public Works financial statements showed there was no adequate system to maintain records of accruals for goods and services.

The audit report comes as a blow to minister Nathi Nhleko's commitment to turn around the department's fortunes, while also attempting to create more opportunities for previously disadvantaged businesses.

Makwetu said: "I am unable to confirm ... amounts by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the ... assets of R390m included in payables and scheduled maintenance of R227m included in payables from exchange transactions stated at R3.3bn."

Makwetu said the Property Management Trading Entity had a bank overdraft of R1.9bn, with its current liabilities exceeding current assets by R8.8bn.

He also noted that allegations of transgressions in supply chain management, as well as potential fraud and misconduct, were being investigated by the Special Investigating Unit — as well as the governance, risk and compliance unit of the department, which pertained to the Nkandla debacle.

Department director-general Mziwonke Dlabantu laid the blame for the Property Management Trading Entity shambles at the feet of "the challenging economic and the fiscal constraints ... nationally".

"During the 2016-17 financial period, National Treasury implemented sufficient budget cuts of R250m against the augmentation funding of the Property Management Trading Entity and R92m against the Department of Public Works capital.

"A further reduction of R447m is projected for the medium-term expenditure framework period as per the 2017 estimates of national expenditure allocation," he said.

Dlabantu said the reduction in funding had a significant effect on the operational transformation of the trading account.

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