

■ PUBLIC WORKS

Risk of financial collapse

Lack of effective oversight at unit of Public Works creates debt in excess of R10.3bn

MAYIBONGWE MAQHINA
mayibongwe.maqhina@inl.co.za

AUDITOR-GENERAL Kimi Makwetu has named the Property Management Trading Entity at the Public Works Department as one of the state institutions that is at serious risk of financial collapse.

Makwetu said the entity recorded a bank overdraft totalling R2.2 billion, and its liabilities exceeded assets by R10.3bn as at the end of March.

He made the statement in the audit report submitted along with the entity's 2017-18 annual report to Parliament.

Makwetu also found that material impairments to the tune of R1.1bn were provided for as a result of irrecoverable receivables.

“The corresponding figures for March 2017 were restated as a result of errors in the financial statements of the trading entity at, and for the year ended, March 31, 2018,” he said.

But the PMTE said although it had a R2.3bn overdraft and liabilities exceeding assets by R10.3bn, it maintained that it was able to continue on a going concern basis into the foreseeable future.

It said it operated under the Public Works Department and the National Treasury had been informed of its position. “Management is embarking on a revenue generation drive and has reinforced its collection of all outstanding debts.”

It claimed R838m was received on the outstanding debt as at March this year.

The AG also said the leadership at the entity did not, in all instances, exercise effective oversight of the effective implementation of audit action plans, resulting in the negative audit outcomes.

“Leadership did not institute effective measures to ensure that the issue of incorrect payments being made to suppliers in respect of private leases was adequately resolved. Payments were not made within 30 days or an agreed period after receipt of an invoice in certain instances, as required by Treasury regulations.

“Payments were made before goods or services were received, in contravention of Treasury regulation.”

Of the total irregular expenditure, R133m was identified in the year under review as potential irregular expenditure that was still to be validated by the management.

The entity said investigations into confirmed irregular expenditure was ongoing.

“Where investigations have been concluded and officials have been found liable in law, appropriate actions are taken by management in line with National Treasury guidelines.”

Makwetu also found that proper record-keeping was not always implemented to ensure complete, relevant and accurate information was accessible and available to support financial and performance reporting.