



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

MFMA
2016-17

CONSOLIDATED

GENERAL REPORT ON THE LOCAL GOVERNMENT AUDIT OUTCOMES

The information and insights presented in this flagship publication of my office are aimed at empowering oversight structures and executive leaders to focus on those issues that will result in reliable financial statements, credible reporting on service delivery and compliance with key legislation.

I wish to thank the audit teams from my office and the audit firms that assisted with the auditing of local government for their diligent efforts towards fulfilling our constitutional mandate and the manner in which they continue to strengthen cooperation with the leadership of government.

Auditor-General

Kimi Makwetu
Auditor-General



Our reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



PERFORMANCE SNAPSHOT

(Refer to section 2 for explanations on how to interpret these figures and movements)

Clean audits



13% ▼

(2015-16: 20%)

OVERALL REGRESSION
IN AUDIT OUTCOMES



45 ▼ Regressed

16 ▲ Improved

Quality financial statements



61% ▼

(2015-16: 68%)

22% (53)

Municipalities submitted financial statements without material misstatements

R757 million

(2015-16: R752 million)

Cost of consultants to assist in financial statement preparation

42% (101)

Financial statements submitted for auditing included **material misstatements in the areas in which consultants did work**

No findings on compliance with legislation



14% ▼

(2015-16: 21%)

Irregular expenditure



R28,376 bn

(2015-16: R16,212 bn)

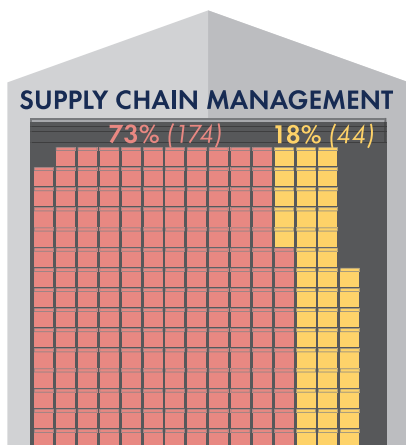
Quality performance reports



37% ▼

(2015-16: 48%)

51% Achievement (120) reported not reliable

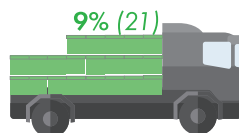


SUPPLY CHAIN MANAGEMENT COMPLIANCE

Not able to audit procurement of **R1,296 billion** due to missing or incomplete information

R2,075 billion in prohibited awards to other state officials

False declarations of interest made by **1 440 suppliers**



9% (21)

Uncompetitive and unfair procurement processes at **67% of municipalities**

■ With no findings ■ With findings ■ With material findings

EFFECTING CONSEQUENCES

55%

Compliance with legislation on implementation of consequences **regressed**

39%

Investigation of previous year's unauthorised, irregular and fruitless and wasteful expenditure **regressed** (closing balance not dealt with is R66,925 billion)

29%

Investigations into supply chain management findings we reported in previous year **slightly regressed**

STATUS OF CONTROLS

- 22%** Overall internal controls **slightly regressed**
- 17%** Basic financial and performance management controls **regressed**
- 20%** Information technology controls **slightly improved**

HUMAN RESOURCE MANAGEMENT

MUNICIPAL MANAGER

VACANCIES **27% (65)** ▼

VACANT for 6 months or more - **17% (41)**



CHIEF FINANCIAL OFFICER

VACANCIES **28% (68)** ▼

VACANT for 6 months or more - **21% (51)**



FINANCIAL HEALTH

DEFICIT
(expenditure exceeded revenue)

2016-17 31% (66) ▲
2015-16 33% (68) ▲

CREDITOR-PAYMENT PERIOD > 30 DAYS

87% (183) ▼
82% (170) ▼

VULNERABLE FINANCIAL POSITION

2016-17 31% (73) ▼
2015-16 26% (59) ▼

Fruitless and wasteful expenditure of **R1,1 billion** incurred by those in vulnerable financial position

ASSURANCE PROVIDERS

▼ OVERALL REGRESSION IN ASSURANCE PROVIDED BY ROLE PLAYERS

Senior management and municipal managers **regressed**

Mayors, councils and municipal public accounts committees **slightly regressed**

Internal audit units and audit committees **regressed**

National and provincial role players **regressed**

INFRASTRUCTURE



26% water projects exceeded completion date

46% had no water maintenance plan

22% did not budget for maintenance of water infrastructure

40% had water losses of more than 30%

35% did not assess condition of water infrastructure



26% road projects exceeded completion date

55% did not have approved road maintenance plan/priority list for renewal and routine maintenance ▼

27% did not assess condition of all road infrastructure ▼

METROS ▼

Almost **55% (R195 billion)** of the total municipal expenditure budget of **R362 billion** was managed by metros



Financial statements ▲



Compliance ▼



Performance reports ▲



Irregular expenditure ▼

R12,456 bn (8 metros [100%])

ROOT CAUSES



77% ▼

Slow response in improving internal controls and addressing risk areas



61% ▼

Inadequate consequences for poor performance and transgressions



59% ▼

Instability or vacancies in key positions or key officials lacking appropriate competencies

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ANNEXURES

The annexures containing information on the following are available on www.agsa.co.za (our website):

- **Annexure 1:** Auditees' audit outcomes; areas qualified; and findings on predetermined objectives, compliance, specific risk areas and unauthorised, irregular as well as fruitless and wasteful expenditure
- **Annexure 2:** Auditees' financial health indicators, supply chain management findings and root causes
- **Annexure 3:** Auditees' audit opinions over the past five years
- **Annexure 4:** Assessment of auditees' key controls at the time of the audit



To access the content of this report on our website, simply use the **QR code scanner** on your mobile phone or tablet to scan the code.

CLEAN AUDITS 2016-17 (municipalities)

Unqualified financial statements with no material findings on the quality of the performance report or compliance with key legislation

EASTERN CAPE

Ingquza Hill
Senqu

FREE STATE

No municipality in the Free State achieved a clean audit

GAUTENG

Midvaal

KWAZULU-NATAL

Okhahlamba
Ray Nkonyeni
uMhlabuyalingana

uMhlathuze
uMuziwabantu
Umzumbe

LIMPOPO

No municipality in Limpopo achieved a clean audit

MPUMALANGA

Ehlanzeni District
Nkangala District

NORTHERN CAPE

ZF Mgcawu District

NORTH WEST

No municipality in North West achieved a clean audit

WESTERN CAPE

Cape Winelands District
Overberg District
West Coast District
Bergriver
Breede Valley
Cape Agulhas
Cederberg
Drakenstein
George
Hessequa
Langeberg

Matzikama
Mossel Bay
Overstrand
Prince Albert
Saldanha Bay
Stellenbosch
Swartland
Swellendam
Theewaterskloof
Witzenberg

