



SECTION 2



Introduction

In this first year of the new administration, our 2016-17 report reflects on the lack of progress made in improving financial and performance management in local government. In our 2015-16 report, we focused on the need for accountability in local government and warned against regressions in audit outcomes as a result of the instability following changes in the political leadership and of disowning the messages and not honouring the commitments made by the previous administration – which we also witnessed in 2011-12. This report shows that the audit outcomes did regress and that our recommendations were not heeded.

This led us to choose the **impact of accountability failures** in local government as the central theme for this report. This year, our report is also more focused as we have been reporting on many of the matters in a lot of detail, including explanations and recommendations, with seemingly little impact.

In section 3, we report on the **accountability failures in local government** to share what we see as the indicators, impact and root causes of such failures, while we also look at our current and future role as the Auditor-General of South Africa in strengthening the accountability chain.

Section 4 **summarises the audit outcomes**. It covers all the areas we had reported on in previous general reports (with the addition of a section on the metros), but now more simply and concisely. We provide an overview of the **results and reflections per province** in section 5. We explain more about our audit process and terminology in section 6. Our website (www.agsa.co.za) includes

detailed annexures that provide the key results per municipality and municipal entity.

Please note the following important matters when reading this report:

- We audited 257 municipalities and 21 municipal entities in 2016-17. The number of municipalities decreased from 278, with the amalgamation of some municipalities during 2016 (37 municipalities were closed down and 16 new municipalities were established).
- To simplify our reporting and ensure that our message is focused, this report centres on only the municipalities. The audit outcomes of the municipal entities are included in the annexures to this report (which are available on our website), but not in the analysis in this report.
- When studying the figures, please note that the percentages are calculated based on the 239 completed audits (18 audits were not finalised), unless indicated otherwise.
- To determine the movements from the previous year, we compared the results of the municipalities with completed audits with their results in 2015-16, for which a denominator of 225 was used. The difference was as a result of the amalgamations – the newly formed municipalities are viewed as municipalities without a prior year history, which is consistent with how it was dealt with by the National Treasury.

Movement from the previous year is depicted as follows:



We use the following icons in this report to indicate:



Accountability failures



Explanations of terminology – we also explain more about our audit process and terminology in section 6



What we have found



Examples to illustrate the effects of weaknesses