General report on the audit outcomes of local government

Western Cape

MFMA 2012-13
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.”

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

This publication also captures the commitments that leaders have made to improve audit outcomes.

Our responsibility extends to citizens who trust us to make a contribution towards a better South Africa.

Kimi Makwetu
Auditor-General
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### ACRONYMS AND ABBREVIATIONS
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MUNICIPALITY
City of Cape Town Metropolitan
West Coast District
Breede Valley
George
Knysna
Langeberg
Mossel Bay
Overstrand
Swartrand
Theewaterskloof
Witzenberg local municipality

MUNICIPAL ENTITY
Cape Town International Convention Centre
I hereby present to the legislature and municipal councils of the Western Cape Province my 2012-13 general report summarising the results of the audit outcomes of local government for the financial year ended 30 June 2013.

The positive trend towards clean administration in the province, which started gaining momentum in 2012, continued in 2013 with 12 (38%) of the 32 auditees in the province achieving clean audit outcomes. Seven auditees (22%) managed to move from financially unqualified with findings to a clean audit outcome, while five auditees (16%) maintained their clean audit outcomes of 2012. Nineteen auditees (59%) received a financially unqualified opinion with findings. Two auditees (6%) progressed from qualified and one auditee (3%) progressed from a disclaimer of opinion to financially unqualified with findings.

Three of the six focus areas improved, while supply chain management, information technology controls and human resources management remained unchanged. Although the area relating to quality of submitted financial statements improved, the highest occurrence of non-compliance, as in 2012, related to material misstatements, with 18 auditees (56%) attaining financially unqualified opinions only because they had corrected all the material misstatements identified during the audit process. Unauthorised and irregular expenditure has declined since the prior year to R424 million (by 61%) and R102,7 million (10%) respectively. Of the R102,7 million in irregular expenditure incurred in 2012-13, 88% was as a result of instances of non-compliance with the supply chain management regulations. Of further concern is the possibility of regression in audit outcomes in future because only three of the 12 clean auditees had no findings on supply chain management, with the remainder attracting findings at management report level. The most common findings that need to be addressed were deviations from obtaining three quotations and awards to suppliers whose municipal accounts were in arrears. Heads of supply chain management at some municipalities had not attained the competency levels as defined by year-end, which contributed to findings on supply chain management and human resource management. At some municipalities key officials lacked appropriate competencies to prepare financial statements, which led to continued reliance on consultants.

It is pleasing to note a steady improvement in the systems and skills required for planning, collating and reporting of annual performance, which continued to contribute to the improved quality of annual performance reports. The number of auditees with no findings on reporting on performance information increased from 15 (48%) to 16 (56%) in 2013. However, there are still concerns regarding auditees that had regressed, particularly those in the Central Karoo district. I urge the municipalities in this
district to adopt the good practices of the Cape Winelands district municipalities which had received the least findings on reporting on performance information.

Basic financial disciplines and monthly processing and reconciling of transactions, regular preparation of credible financial and performance reports, as well as the effective implementation of checklists to ensure compliance with laws and regulations, were implemented at the municipalities that attained and maintained clean audit outcomes. The stability in the position of chief financial officer is considered a contributing factor to the improved audit outcomes within the province. Municipalities with repeat findings should address these by filling vacancies, providing the required training where competencies are lacking and by institutionalising basic financial disciplines and processes.

The premier has continued to ensure that Operation clean audit, coordinated by the provincial treasury and ministry of local government, remains a standing agenda item of the premier’s coordinating forum and many other forums for monitoring and evaluation of municipalities’ key controls and commitments, and that best practices are shared in order to achieve sustainable clean audit outcomes. In addition to the prior year commitments which will remain a focus, the premier and all role players have pledged their support for the Municipal governance review and outlook processes which will address shortcomings in the province. These processes will be monitored in the premier’s coordinating forum and all management forums and interactions and will be driven by the provincial treasury. My interaction with the provincial treasury will be guided during the next financial year by additional commitments through a joint workshop with my office on the preparation of audit files and a dedicated meeting to discuss the way forward in addressing the continued poor audit outcomes at Kannaland Municipality. Further initiatives include marketing widespread utilisation of the provincial treasury’s support services, focusing the internship programme on performance information in order to build skills in this area and specifically tailored support to municipalities that are close to achieving a clean audit outcome.

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

Auditor-General
Pretoria
July 2014
SUMMARY OF AUDIT OUTCOMES AND KEY RECOMMENDATIONS FOR IMPROVEMENT
Our audit and reporting process

We audit all municipalities and their municipal entities in the province, also called auditees in this report, so that we can report on

- the quality of their financial statements and
- annual performance reports and on
- their compliance with legislation.

We also assess the root cause of any error or non-compliance, based on the internal control that had failed to prevent or detect it. This year we also audited key aspects of the provision of water and sanitation services and roads infrastructure by municipalities. We include these aspects in the following three types of reports:

- We report our findings, root causes and recommendations to the senior management and accounting officers or authorities of auditees in management reports, which are also shared with the mayors and audit committees.

- Our opinion on the financial statements, material findings on the performance report and non-compliance with legislation as well as significant deficiencies in internal controls are included in an audit report, which is published with the auditee’s annual report and dealt with by the municipal council.

- Annually we report on the audit outcomes of all auditees in a provincial general report (such as this one), in which we also analyse the root causes that need to be addressed to improve audit outcomes in the province. Before the general reports are published, we share the outcomes and root causes with the provincial leadership, the provincial legislature and key role players in national and provincial government.

Over the past few years, we have intensified our efforts to assist local government to improve their audit outcomes by identifying the key controls that should be in place at auditees, assessing these on a quarterly basis and sharing the assessment with mayors, accounting officers and audit committees.

We further identified the following six key risk areas that need to be addressed to improve audit outcomes and financial and performance management, and we specifically audit these so that we can report on the status thereof: ■ quality of submitted financial statements ■ quality of annual performance reports ■ supply chain management ■ financial health ■ information technology controls ■ human resource management.

During the audit process, we work closely with the accounting officer, senior management, audit committee and internal audit unit as they are key role players in providing assurance on the credibility of the auditees’ financial statements, performance report as well as compliance with legislation.

We also continuously strengthen our relationship with mayors, the premier, the provincial treasury, the provincial department of local government as well as the provincial parliament, as we are convinced that their involvement and oversight have played – and will continue to play – a crucial role in the performance of local government in the province. We share our messages on key controls, risk areas and root causes with them and obtain and monitor their commitments to implement initiatives that can improve audit outcomes.

Figure 1 that follows provides an overview of our message around the 2012-13 audit outcomes, which is a continuation of what we had reported and recommended in our last report on the audit outcomes of local government in the province. Please note the following regarding the figure and when reading the rest of the report:

- If municipalities have municipal entities under their control, the audit opinion is on the consolidated financial statements.

- ‘With findings’ means findings on either the quality of the annual performance reports or non-compliance with legislation, or on both these aspects. Clean audits are achieved when the financial statements are unqualified, with no findings on the quality of the annual performance reports or compliance with legislation.

- Movement of more than 5% is regarded as an improvement or a regression. Movement is depicted as follows:

  - Improved
  - Stagnant or little progress
  - Regressed

The rest of the section summarises the audit outcomes and our key recommendations for improvement. This summary is followed by the results of our audits at district level and per municipality. The report also includes three annexures that detail the audit outcomes and findings per auditee, the status of the drivers of internal controls at the auditees, and a five-year view of the audit outcomes. The glossary of terms included before the annexures defines the terminology used in this report.
Overview of audit outcomes and key recommendations for improvements (figure 1)

**Assurance provided by key role players**

<table>
<thead>
<tr>
<th>First level of assurance</th>
<th>Second level of assurance</th>
<th>Third level of assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>Municipal manager</td>
<td>Mayor</td>
</tr>
<tr>
<td>34%</td>
<td>34%</td>
<td>38%</td>
</tr>
<tr>
<td>44%</td>
<td>51%</td>
<td>40%</td>
</tr>
<tr>
<td>22%</td>
<td>5%</td>
<td>22%</td>
</tr>
</tbody>
</table>

**Drivers of internal control should be improved**

<table>
<thead>
<tr>
<th>LEADERSHIP</th>
<th>FINANCIAL AND PERFORMANCE MANAGEMENT</th>
<th>GOVERNANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>52%</td>
<td>47%</td>
<td>30%</td>
</tr>
<tr>
<td>27%</td>
<td>23%</td>
<td>29%</td>
</tr>
<tr>
<td>21%</td>
<td>30%</td>
<td>14%</td>
</tr>
</tbody>
</table>

**Root causes should be addressed**

- Slow response by the leadership to address the root causes of poor audit outcomes: A root cause at 56% of the auditees (2011-12: 77%)
- Key positions vacant or key officials lacking appropriate competencies: A root cause at 38% of the auditees (2011-12: 52%)
- Lack of consequences for poor performance and transgressions: A root cause at 34% of the auditees (2011-12: 39%)

**Six risk areas should receive attention**

- Supply chain management: 38%
- Quality of performance reports: 56%
- Human resource management: 53%
- Quality of submitted financial statements: 41%
- Information technology controls: 23%
- Financial health: 53%

**Improvement in audit outcomes**

<table>
<thead>
<tr>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unqualified with no findings</td>
<td>59%</td>
<td>71%</td>
</tr>
<tr>
<td>Unqualified with findings</td>
<td>38%</td>
<td>17%</td>
</tr>
<tr>
<td>Qualified with findings</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>Adverse/Disclaimed with findings</td>
<td>6%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Status of the three areas that we audit and report on

Audit outcomes have improved

There has been an overall improvement in the audit outcomes of local government. Significant aspects of the 2012-13 audit outcomes of the 32 auditees shown in figure 1 are listed below.

- There was a significant improvement from 2012 to 2013 in all three areas, namely financial and performance information and compliance, with no regressions. There has also been a steady trend of increased clean audits year on year since 2011.
- Five municipalities have maintained their clean audit status since 2012, with another seven auditees improving to a clean audit status in 2013. Two auditees improved from qualified and one auditee from a disclaimer to financially unqualified with findings, while one auditee retained its adverse audit opinion.
- The metro improved to a clean audit status. One of the five district municipalities maintained its clean audit status, while the remaining four were again financially unqualified with findings.
- A trend that was noticeable in all three areas (financial and performance information and compliance) was that the Cape Winelands district’s municipalities on average achieved better audit outcomes, while the Central Karoo district on average recorded more unfavourable audit outcomes compared to the other districts.

The quality of annual performance reports has improved

Auditees are required to measure their service delivery against the performance indicators and targets set for each of their predetermined performance objectives and to report on this in their annual performance reports. We audit the annual performance reports to determine whether the information in these reports is useful and reliable. In the audit report we report findings that were material enough to be brought to the attention of the users of the annual performance report, including the community.

Figure 2: Status of quality of annual performance reports

Figure 2 shows the number of auditees in the province with material findings in this regard over the past three years, including those auditees that had not prepared an annual performance report or had submitted the report too late for auditing. The number of auditees that recorded an improvement in the quality of their annual performance reports increased by 16% from 2011 to 2012 and by 8% from 2012 to 2013. The annual performance report of three auditees was not prepared as required by section 121(4)(d) of the Municipal Finance Management Act. There has been a steady improvement in the planning, collating and reporting of annual performance over the past three years as the understanding, skills and use of performance systems are shared and cross-utilised by all the role players in the province, i.e. provincial treasury, the department of local government and municipalities within districts.

Of the six districts in the province, the Cape Winelands district received the least findings, while the Central Karoo district received the most findings and was the only district where auditees regressed. An analysis of the other three districts, namely Eden, Overberg and West Coast, revealed that the trends were
correlated to the overall outcomes in terms of percentage of findings and trend of improvement. If strong leadership, active involvement by senior management, a high level of commitment to oversight, monitoring of timely actions taken to address prior year matters and well-run internal audit units and audit committees can be replicated in the Central Karoo district, one should see an improvement. The district has, however, experienced financial constraints, which limited their ability to acquire the necessary assistance to improve their performance information reporting.

We measured the usefulness of reported information against the criteria of presentation, consistency, relevance and measurability. The number of auditees with material findings in this regard has increased from seven to nine since the previous year. The most common findings on usefulness were the following:

- For four auditees the indicators were not verifiable, as it was not possible to validate the processes and systems that produce the indicator.
- For four auditees the indicators/measures were not well defined, as the indicators/measures did not have a clear, unambiguous definition so that data could be collected consistently and be easy to understand and use.
- For three auditees the measures taken to improve performance were not disclosed in the annual performance report.
- For three auditees the reported performance information was not consistent with planned objectives, indicators/measures and targets.

Findings on reliability relate to whether the reported information could be traced back to the source data or documentation and whether the reported information was accurate, complete and valid when compared to the source. The number of auditees with material findings in this regard has decreased from 12 to 11 since the previous year. The most common findings on reliability were the following:

- For 10 auditees the reported performance information was not accurate as amounts, numbers and other data relating to reported performance have not been recorded and reported correctly
- For seven auditees the reported performance information was not complete
- For seven auditees the reported performance information was not valid as reported performance could not be confirmed to supporting documentation.

We also reported the following performance-related matters in the audit reports:

- Sixteen per cent of the auditees had material findings on non-compliance with the legislation that regulates strategic planning, performance management and reporting.
- Thirty-four per cent of the auditees made amendments to the annual performance report submitted for auditing to correct material misstatements identified during the audit process. Eight auditees (25%) had no material findings simply because they corrected all the misstatements we had identified during the audit. The continued reliance on the auditors to identify corrections to be made to the annual performance report is not a sustainable practice.
- Of the 18 auditees with reliable annual performance reports, 56% did not achieve 20% or more of the planned targets they reported on. This was mainly because indicators and targets were not suitably developed during the strategic planning process and failure by auditees to consider relevant systems and evidential requirements during the annual strategic planning process.
- Some auditees appointed consultants to assist with the preparation of performance information. More detail in this regard is included in the section on the effective use of consultants.

The level of compliance with legislation has improved

We annually audit and report on compliance with legislation applicable to financial matters, financial management and other related matters.

We focused on the following areas in our compliance audits: ■ material misstatements in the submitted annual financial statements ■ asset and liability management ■ audit committee ■ budget management ■ expenditure management ■ unauthorised, irregular as well as fruitless and wasteful expenditure ■ consequence management ■ internal audit ■ revenue management ■ strategic planning and performance management ■ annual financial statements and annual report ■ transfer of funds and conditional grants ■ procurement and contract management (in other words, supply chain management) ■ human resource management and compensation.

In the audit report, we reported findings that were material enough to be brought to the attention of the council and the public.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Figure 3: Status of compliance with legislation

<table>
<thead>
<tr>
<th></th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>With no findings</td>
<td>38% (12)</td>
<td>62% (20)</td>
<td>94% (29)</td>
</tr>
<tr>
<td>With findings</td>
<td>62% (20)</td>
<td>84% (26)</td>
<td>94% (29)</td>
</tr>
</tbody>
</table>

Figure 3 shows the number of auditees with material findings in this regard over the past three years. Overall there has been a significant improvement in the number of auditees with no findings on compliance with laws and regulations.

The Cape Winelands district has a better overall outcome, with 50% of auditees in the district having findings on compliance, as opposed to the Central Karoo district which showed no improvement over the past three years, with 100% of auditees in the district having findings on compliance. In the Cape Winelands district, municipalities with no findings on compliance are driven by strong leadership and active involvement of senior management. This level of commitment to oversight and the monitoring of timely actions taken to address prior year findings reported resulted in improved outcomes. Well-functioning internal audit units and audit committees also contributed to improved internal control environments. If these practices can be replicated in the Central Karoo district, one should see an improvement in the outcomes in this district as this was absent at most municipalities.

Figure 4: Trends in findings on non-compliance with legislation

<table>
<thead>
<tr>
<th>Compliance Area</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Material misstatements/limitations in submitted annual financial statements</td>
<td>59% (19)</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Unauthorised, irregular and fruitless and wasteful</td>
<td>50% (16)</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Procurement management</td>
<td></td>
<td>38% (12)</td>
<td>4%</td>
</tr>
<tr>
<td>Audit committees</td>
<td></td>
<td>25% (8)</td>
<td>17%</td>
</tr>
<tr>
<td>Annual financial statements, performance report and annual report</td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Budgets</td>
<td></td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Asset management</td>
<td></td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

Figure 4 shows the compliance areas with the most material findings and the progress made by auditees in addressing these findings. There has been an improvement in the number of auditees with findings in most areas of non-compliance.

Similar to the prior year, the most common findings across these compliance areas were the following:

- There were material misstatements or limitations in the financial statements submitted for auditing.
- Unauthorised and irregular expenditure was not prevented.
- Three written price quotations were not invited and/or deviations were not justified.
- Municipalities did not appoint and budget for a performance audit committee.
- Annual financial statements were not submitted for auditing within two months after the end of financial year; annual reports were not tabled within seven months after the end of a financial year, and/or oversight reports were not made public within seven days of adoption.
- Expenditure was incurred in contravention of the approved budget.
- Ineffective system of internal control relating to asset management.

Figure 5: Trends in unauthorised, irregular as well as fruitless and wasteful expenditure

<table>
<thead>
<tr>
<th></th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unauthorised</strong></td>
<td>R424 mn</td>
<td>R1,099 b</td>
<td>R343 mn</td>
</tr>
<tr>
<td><strong>Irregular</strong></td>
<td>R102.7 m</td>
<td>R114.3 m</td>
<td>R243 m</td>
</tr>
<tr>
<td><strong>Fruitless and wasteful</strong></td>
<td>R15.2 m</td>
<td>R11.6 m</td>
<td>R9.3 m</td>
</tr>
</tbody>
</table>

Figure 5 reflects the three-year trend in unauthorised, irregular as well as fruitless and wasteful expenditure incurred by auditees.

**Unauthorised expenditure** refers to expenditure that was not incurred in accordance with the approved budget. Unauthorised expenditure fluctuated significantly over the three-year period, increasing by 220% during the 2011-12 cycle, before declining by 61% in the 2012-13 cycle. Two municipalities accounted for R704 million (64%) of the unauthorised expenditure of 2011-12 due to non-cash expenditure relating to the impairment of property, plant and equipment (mostly land and to a certain extent buildings) not budgeted for. This largely explains the movements over the three years.

Of the R424 million in unauthorised expenditure incurred in 2012-13, 99% was as a result of overspending. Eighty-three per cent of the expenditure was identified by the auditees, which is indicative of the improvement still required in the financial reporting processes relating to the identification and recording of unauthorised expenditure.

**Irregular expenditure** refers to expenditure that was not incurred in the manner prescribed by legislation. Such expenditure does not necessarily mean that money had been wasted or that fraud had been committed, but is an indicator that legislation is not being adhered to, including legislation aimed at ensuring that procurement processes are competitive and fair. It is the role of councils to investigate all irregular expenditure to determine whether it constitutes misconduct, fraud or losses that should be recovered. The municipalities managed to contain the levels of irregular expenditure over the three-year period – a significant decrease of 53% over the 2011-12 period was followed by a 10% decrease in the 2012-13 cycle.

Of the R102.7 million in irregular expenditure incurred in 2012-13, 88% was as a result of acts of non-compliance relating to deviations from supply chain management policies and procedures. Of the R102.7 million, 36% was identified by auditees, which is indicative of significant improvements still required in the reporting processes that identify irregular expenditure.

**Fruitless and wasteful expenditure** refers to expenditure that was made in vain and that would have been avoided had reasonable care been taken.

Ninety-six per cent of the R15.2 million in fruitless and wasteful expenditure disclosed in the respective auditees’ financial statements was identified by the auditees. This reflects an increased awareness of what constitutes fruitless and wasteful expenditure, which may be used as a foundation to implement measures to curb such expenditure in future and which should be replicated for unauthorised and irregular expenditure.

Legislation prescribes the actions that municipal managers and councils should take to investigate and deal with unauthorised, irregular as well as fruitless and wasteful expenditure. The main contributors to fruitless and wasteful expenditure were interest payments and water and electricity losses.

**Six risk areas should continue to receive attention**

Our audits of the six risk areas show that our recommendations to address these risks to financial and performance management have not yet been implemented in their totality. Significant aspects of five of these risk areas are summarised below, while the quality of performance information is discussed as part of the section on audit outcomes above. A view on the effective use of consultants is provided as part of the human resource management risk area included below.
Quality of submitted financial statements

The purpose of the annual audit of the financial statements is to provide the users thereof with an opinion on whether the financial statements fairly present, in all material respects, the key financial information for the reporting period in accordance with the financial framework and applicable legislation. The audit provides the users with reasonable assurance on the degree to which the financial statements are reliable and credible, on the basis that the audit procedures performed did not identify any material errors or omissions in the financial statements. We use the term material misstatement to refer to such material errors or omissions.

While most auditees submitted their financial statements for auditing on time, figure 1 shows that only 13 auditees (41%) submitted financial statements that did not contain material misstatements. This is a considerable improvement since the prior year when only nine auditees submitted financial statements that did not contain material misstatements, but still indicates a reliance on us to identify misstatements during the audit process and a lack of adequate management review of the financial statements before submission for auditing.

Similar to the analysis of non-compliance findings per district, 100% of the municipalities in the Central Karoo district submitted financial statements that contained material misstatements. The Cape Winelands, Eden and West Coast districts showed no improvement since 2012. At some of these municipalities concerns were raised regarding oversight, lack of timely actions taken to address risk areas and a lack of regular and accurate financial reporting. Some of these municipalities also relied heavily on consultants and at one municipality there was a vacancy at chief financial officer level. A trend of improvement was noted in the Cape Winelands and Overberg districts in correlation with the overall trend in the province.

Figure 6 shows that 18 auditees (56%) received a financially unqualified audit opinion only because they corrected all the misstatements we had identified during the audit. The continued reliance on the auditors to identify corrections to be made to the financial statements to obtain an unqualified audit opinion is not a sustainable practice. Furthermore, it places undue pressure on legislated deadlines and increases the audit fees.

Even though we reported the material misstatements to management for correction, one auditee (2011-12: 4) could not make the necessary corrections to the financial statements due to deficiencies in their underlying records, which resulted in an adverse audit opinion. The qualification areas are listed in annexure 1.

Further analysis of the impact on the quality of financial statements where consultants have been used is contained in the section on the effective use of consultants.

Supply chain management

As part of our audits of supply chain management, we tested 812 contracts (with an approximate value of R4 billion) and 1 283 quotations (with an approximate value of R181 million), also referred to as awards in this report.

We tested whether the prescribed procurement processes had been followed, which would have ensured that all suppliers were given equal opportunity to...
compete and that some suppliers were not favoured above others. We also focused on contract management, as shortcomings in this area can result in delays, wastage as well as fruitless and wasteful expenditure, which in turn have a direct impact on service delivery.

We further assessed the financial interests of employees and councillors and their close family members in suppliers to the auditee as well as the interests of other state officials, as legislation prohibits awards to such suppliers. We also evaluated whether auditees had implemented adequate internal controls to prevent, detect or correct irregularities in the supply chain management processes.

We reported all the findings arising from the audit to management in a management report, while we reported the material non-compliance findings in the audit report.

Figure 1 shows that there has been little improvement since the previous year in the number of auditees with audit findings on supply chain management. Auditees with material non-compliance findings decreased marginally from 13 in 2012 to 12 in 2013, while the number of auditees with no findings remained unchanged at three.

Similar to the trend identified in the compliance section above, the Central Karoo district stood out with 100% of the municipalities within the district failing to comply with supply chain management regulations, resulting in material non-compliance being reported in their audit reports. Eden and Overberg districts showed a trend of improvement, while Cape Winelands and West Coast showed trend of regression, which ultimately contributed to the overall trend of unchanged outcomes relating to supply chain management.
Figure 7: Findings on supply chain management

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Auditees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limitation on planned scope of audit of awards</td>
<td>3% (1)</td>
<td></td>
</tr>
<tr>
<td>Awards to employees and councillors or other officials of the state</td>
<td>42% (13)</td>
<td>10% (3)</td>
</tr>
<tr>
<td>Awards to close family members of employees and councillors</td>
<td>10% (3)</td>
<td></td>
</tr>
<tr>
<td>Uncompetitive or unfair procurement processes</td>
<td>26% (8)</td>
<td>35% (11)</td>
</tr>
<tr>
<td>Inadequate contract management</td>
<td>13% (4)</td>
<td>26% (8)</td>
</tr>
<tr>
<td>Internal control deficiencies</td>
<td>32% (10)</td>
<td></td>
</tr>
</tbody>
</table>

With findings:
- With material findings

Figure 7 indicates the extent of findings in the areas we report on and the movement since the previous year. The following were the most common findings:

- It is encouraging that, overall, limitations in auditing supply chain management decreased from three auditees in 2012 to one in 2013. We were unable to audit awards with a value of R76,895 at one auditee as they could not provide us with evidence that awards had been made in accordance with the requirements of supply chain management legislation. We could also not perform any alternative audit procedures to obtain assurance that the expenditure incurred in this regard was not irregular. The main reason for the limitations was that management had not implemented proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

- There were six instances of awards with an overall value of R115,607 made to suppliers in which employees and councillors of the auditees had an interest. In 33% of these instances, the supplier did not declare the interest, while the employee or councillor did not declare the interest in 33% of the cases. The persons involved were other employees, except for one instance where the person involved was a councillor.

- There were 39 instances at 11 auditees of awards with an overall value of R4,6 million made to suppliers in which close family members of employees and/or councillors of the auditees had an interest. In 3% of these instances, the supplier did not declare their interest, while the employee or councillor did not declare their interest in 8% of the cases. The persons involved at the municipality were at a level considered ‘other employees’.

- There were 41 instances at 14 auditees of awards with an overall value of R12 million made to suppliers in which other state officials had an interest. In 37% of these instances, the supplier did not declare the interest.

- The most common findings on uncompetitive and unfair procurement processes were as follows:
  - Three written quotations not invited - deviation not approved at eight auditees (26%)
  - At six auditees (10%) awards were to suppliers whose municipal accounts were in arrears
  - At five auditees (16%) no declaration of interest was submitted by providers.

- The most common findings on contract management were as follows:
  - Performance of contractors not monitored on a monthly basis at five auditees (16%)
  - Construction projects not registered with the Construction Industry Development Board within 21 working days at four auditees (13%)
  - Lack of or inadequate contract performance measures and monitoring at three auditees (10%).

- The findings on internal control deficiencies related to inadequate controls to ensure that interest is declared (10%); supply chain management officials not being aware of supply chain management policies or not understanding their roles and responsibilities (10%); and a lack of controls in place to prevent deliberate splitting of procurement to circumvent the process (6%).

General report on the audit outcomes of the Western Cape Local Government for 2012-13
Human resource management

Human resource management is effective if adequate and sufficiently skilled staff members are in place and if their performance and productivity are properly managed.

Our audits included an assessment of human resource management that focused on the following areas: ■ human resource and organisation planning ■ management of vacancies ■ appointment processes ■ performance management ■ acting positions ■ management of leave, overtime and suspensions.

Our audits furthermore focused specifically on the management of vacancies and stability in key positions, the competencies of key officials, performance management and consequences for transgressions.

We reported all the findings arising from the audit to management in a management report, while we reported the material non-compliance findings in the audit report.

Figure 1 shows that little progress had been made since the previous year regarding the number of auditees with findings on human resource management. The number of auditees with audit findings on human resource management increased from 13 in the prior year to 15 in the current year. The number of audit findings on human resource management, however, decreased from 24 in the prior year to 21 in the current year. The overall results for human resource management showed a slight improvement in the areas of human resource planning and organisation, management of vacancies, appointment processes and performance management. There has been stagnation in the areas of competencies of key personnel and acting positions. There was a regression in the areas of management of leave, overtime and suspensions. Although management of vacancies has improved marginally in terms of overall vacancy rates compared to 2012, the need for employees in acting positions persisted due to the failure to attract competent candidates with the required qualifications and experience. This was mainly due to slow response by the auditees to prior year findings along with the challenges faced by municipalities because they are located in remote regions.
Figure 9: Stability in key positions (average number of months in position)

<table>
<thead>
<tr>
<th>Position</th>
<th>Average Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal managers and chief executive officers</td>
<td>36</td>
</tr>
<tr>
<td>Chief financial officers</td>
<td>51</td>
</tr>
<tr>
<td>Heads of SCM units</td>
<td>40</td>
</tr>
</tbody>
</table>

Figure 8 shows the number of auditees where the positions of municipal manager or chief executive officer, chief financial officer and head of the supply chain management unit were vacant at year-end and also indicates the period that the positions had been vacant. Figure 9 shows the average number of months key officials had been in their positions only where auditees did not have vacancies in these positions at year-end.

The chief financial officer position was the most stable based on the vacancy rate per position and average months within the position. There were only five auditees where the position of chief financial officer was vacant at year-end, and on average the individual had occupied this position for 51 months. The position was vacant for more than six months at three of these auditees. The stability in this position is considered a contributing factor to the improved audit outcomes within the province. The stability in the position has, however, not seen a decrease in the use of consultants to prepare financial statements, which would have been expected of this position. A contributing factor is that most municipalities have received an exemption to achieve minimum competencies and this has had an impact on reliance on consultants to prepare the financial statements until the required competencies are achieved.

The position of municipal manager was considered as unstable for the province given the vacancy rate and the average number of months in which the position was filled. There were six auditees that had vacant positions at municipal manager level, four of which were vacant for more than six months. The average period of 36 months in which the municipal manager position was filled was the lowest among the three categories reported on. The instability can be attributed to the suspension of municipal managers and in some instances political instability. This has a direct effect on service delivery at the municipality due to the absence of strategic direction if the municipal manager position is vacant.

An overview of the human resource findings for the districts within the province revealed that findings regarding vacancies and acting positions were more prevalent in the outlying areas such as the Eden district, Central Karoo district and West Coast district, with the Central Karoo District being affected the most. This is due to the scarcity of skills and properly qualified individuals who can be employed to address these vacancies. The findings on acting positions are a direct result of vacancies that have not been filled for a period of time. The provincial internship programme has not resulted in the anticipated filling of vacancies in the finance departments. There is also a concern with regard to the retention of staff who have completed the internship programme and the level of skills that candidates are empowered with by the end of the internship programme.

Findings in the Cape Winelands and Overberg districts were correlated to the overall findings in the province on human resources.

Our recommendation would be to consider the creation of an exchange programme for staff in the Eden district, Central Karoo district and West Coast district with municipalities that do not face these challenges. This would allow them to gain skills and empower current staff at those municipalities to fill vacancies. The promotion of staff to higher pay levels would create an incentive for staff to seek solutions to problems faced by the municipality and the improved staff morale would contribute to an improvement in audit outcomes. The prior year recommendation that a bursary scheme be created for residents of the outlying districts who want to study has also not been implemented. Common findings among other districts relate to management of leave, overtime and suspensions. The findings related more to human and administrative errors that could be remedied within the short term.

The Municipal regulations on minimum competency levels issued by the National Treasury on 15 June 2007 define the minimum competency levels of accounting officers, chief financial officers, senior managers, supply chain management focus area have, however, remained stagnant with regard to the number of auditees where non-compliance with supply chain management prescripts was reported.
officials and other financial officials, taking into account the size and scope of municipalities.

Figure 10: Key officials that did not have the minimum competencies

<table>
<thead>
<tr>
<th></th>
<th>Municipal managers and chief executive officers</th>
<th>Chief financial officers</th>
<th>Heads of SCM units</th>
</tr>
</thead>
<tbody>
<tr>
<td>25% (6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24% (6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>36% (9)</td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>

Six auditees had chief financial officers who did not meet the minimum competency requirements. Two of these auditees had received an exemption. The other four are situated in the Eden and West Coast districts which have been discussed above.

Nine auditees had heads of SCM units who did not meet the minimum competency requirements. Two of these auditees had received an exemption. Six are situated in the Central Karoo, Eden and West Coast districts which have been discussed above. One auditee in the Overberg District did not meet the minimum competency.

The most common findings on the competencies of key officials related to inadequate competencies in financial reporting and compliance.

To improve the performance and productivity of staff, the leadership should set the correct tone by implementing sound performance management processes, evaluating and monitoring performance and consistently demonstrating that poor performance has consequences.

Six per cent of the municipal managers and 9% of the chief financial officers did not have performance contracts.

Effective use of consultants

As in previous financial years, auditees continued to engage consultants to assist them with financial reporting as well as the preparation of performance information.

Auditees indicated the following as reasons for the continued use of consultants:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Financial reporting</th>
<th>Performance information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal officials lacked the required skills</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>Positions were vacant</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Combination of lack of skills and vacancies</td>
<td>42%</td>
<td>47%</td>
</tr>
<tr>
<td>Not skills or vacancy related</td>
<td>8%</td>
<td>13%</td>
</tr>
</tbody>
</table>

The cost of consultants assisting with financial reporting (which includes GRAP financial statement preparations, preparation of asset registers and other reconciliations and financial information) was R39.7 million (2011-12: R30.6 million). As far as could be determined from available information, this includes amounts spent by the National Treasury, provincial treasuries and the national
Department of Cooperative Governance and Traditional Affairs on consultants assigned to assist municipalities. The cost of consultants assisting with performance information was R5.9 million (2011-12: R3.2 million).

Figure 11: Audit outcomes of auditees assisted by consultants

Financial reporting
- 76% (18) Unqualified with no findings
- 20% (5) Unqualified with findings
- 4% (1) Qualified with findings

Performance information
- 47% (7) No finding on performance information
- 53% (8) With findings on performance information

Figure 11 shows the audit outcomes of 24 auditees (75%) where consultants assisted with financial reporting and also the occurrence of findings on performance information at 15 auditees assisted by consultants. The reasons why consultants did not have a positive impact on the quality of financial statements of some auditees are provided below.

Figure 12: Reasons for material misstatements – financial reporting (corrected and uncorrected)

- Lack of records and documents: 13% (2)
- Other auditee ineffectiveness: 62% (10)
- Consultant appointed too late: 5% (1)
- Poor project management: 13% (2)
- Consultant did not deliver: 5% (1)

Figure 13: Reasons for material findings – performance information

- Lack of records and documents: 33% (3)
- Other auditee ineffectiveness: 45% (4)
- Consultant appointed too late: 11% (1)
- Poor project management: 11% (1)
- Consultant did not deliver: 9% (1)

The material misstatements were mainly caused by auditee ineffectiveness as the underlining information used by consultants was not properly reviewed by management of the auditees to ensure that the financial statements and performance reports prepared by consultants were evidenced and supported by reliable information.
Records and documents were in some instances not available to support and validate the financial and performance reports prepared with the help of consultants. This was due to lack of proper record keeping at the affected auditees. We are concerned about the following based on our review of the contracts and arrangements between auditees and consultants:

- Conditions or clauses relating to transfer of skills were mostly not included in the contract. Where these conditions were included, no evaluation was performed at the end of the consultancy project to determine whether skills and knowledge had been transferred as per the terms of reference and the contract.

- Some auditees did not have policies in place that clearly define the main purposes and objectives of appointing consultants, which would include the measures to address over-reliance on consultants. This, together with the lack of transfer of skills, led to consultants being appointed for recurring tasks for which a permanent appointment of a qualified and skilled person could be made.

- The services of some consultants were procured without complying with the prescribed procurement processes.

Recommendations:

- The prescribed supply chain management process should be followed for new appointments of consultants. If an emergency necessitates deviating from the competitive bidding approach, the reasons should be properly motivated, documented and approved. These reasons should not relate to poor demand management and planning on the part of the auditee.

- The leadership of the auditees should have a plan and prioritise filling vacant posts on time to reduce their reliance on consultants for continued service delivery.

- The auditees should include training and transfer of skills as part of the project. The accounting officer should monitor performance of the consultants to ensure that the consultants honour their contractual obligations in full. To achieve this, progress meetings should be held regularly and evidence thereof kept. Corrective actions, where required, should be taken promptly and monitored by the accounting officer.

- Specific oversight of the use of consultants should be performed by the audit committees and council committees, focusing on the following;
  - Economic – The economical acquisition of consultancy-related resources includes a competitive procurement process for the appointment of consultants and the creation and maintenance of a permanent staff capacity for recurring tasks.
  - Efficiency - The efficient use of consultants requires the achievement of an optimal relationship between the outputs produced by consultants and the resources expended by auditees to remunerate these consultants. The management of the process to achieve this relationship should also be a key consideration.
  - Effectiveness - The use of consultants is considered to be effective if the objectives that informed the appointment of consultants are met. Audit committees should assess whether these objectives have been met, especially those relating to training and transfer of skills.

Information technology controls

Information technology controls ensure the confidentiality, integrity and availability of state information, enables service delivery and promotes national security. It is thus essential that good information technology governance, effective information technology management and a secure information technology infrastructure be in place.

Our audit included an assessment of the information technology controls that focus on information technology governance, security management, user access management and information technology service continuity. Information technology controls were assessed at 30 municipalities within the Western Cape. Municipal entities were not included in these assessments.

Figure 1 shows no change since the previous year in the number of auditees that had no audit findings on information technology controls. The overall improvement in the audit outcomes in the areas of security management and information technology service continuity at the majority of municipalities audited could be attributed to focused attention on the documentation of information technology security policies and disaster recovery plans. Information technology governance also received more attention, with the result that eight municipalities had proactively designed their own information technology governance frameworks prior to the adoption of the national information technology governance framework.

The following classification of findings was applied in determining the red, orange and green elements of the pie graph included in graphic 1 on page 10. In all assessments the focus areas used were security management, user access controls and information technology service continuity:

- If design weaknesses had been identified in the controls over two or more information technology focus areas, a municipality is classified as having material (red) information technology findings.
If control implementation weaknesses had been identified in two or more information technology focus areas, a municipality is classified as having significant (orange) information technology findings.

If no findings had been identified in relation to the design or implementation of information technology controls over any of the three focus areas, the municipality is classified as having no information technology findings (green).

Information technology governance findings had no impact on the foreword graphic relating to the management of information technology controls.

Figure 14: Status of information technology controls

![Figure 14](image)

Figure 14 above indicates the status of the information technology controls in the areas we audited and the movement since the previous year. It shows the number of auditees where information technology controls are either not in place (not designed) or not implemented, as well as those where information technology controls are functioning effectively.

Effective information technology governance ensures that the organisation’s information technology control environment functions well and enables service delivery. The information technology governance framework developed for government has not yet been implemented. All auditees are, however, required to adopt and implement the information technology governance framework and guidelines for local government in phases over the next three financial years. In 2013-14 the implementation of phase 1 should be prioritised. A task team was established by the minister of Cooperative Governance and Traditional Affairs (CoGTA) to guide municipalities, among others, in the implementation of the governance framework.

Many auditees still did not have adequately designed and implemented information technology controls for security management, user access management and information technology service continuity. The most common findings were the following:

- **Security management:**
  While security management controls are functioning effectively at 37% of auditees, 37% still experienced challenges with design and 26% with the implementation of security management controls. The most common findings in the area of security management were as follows:
  - Adequate password controls were not in place to manage security on key application systems.
  - Standard operating procedures to manage the application of security patches to devices on the network had not been developed or documented.

- **User access management:**
  Although 7% of auditees have effective user access controls, 56% continue to experience challenges with design and 37% with the implementation of user access policies and procedures. The most common findings in the area of user access management were as follows:
  - User access management practices had been established, but policies or standard operating procedures have not been adequately documented or approved.
  - User access profiles were not regularly reviewed to confirm that users’ system access was appropriate and in line with their job roles and responsibilities.

- **Information technology service continuity:**
  It was found that 40% of auditees have information technology service continuity controls in place that are embedded and effective. However, 50% of the auditees continue to experience challenges with design and 10% with the implementation of controls relating to disaster recovery and backups. The most common findings in the area of information technology service continuity were as follows:
  - Information technology disaster recovery plans were in draft and had as a result not been implemented during the audit period.
• Although backups were being performed at all municipalities, backup policies and procedures have not been adequately documented.
• Backups were also not monitored for successful completion, kept at offsite storage facilities or periodically restored to ensure recoverability of data.

Management should prioritise the design and implementation of the security management, user access management and information technology service continuity controls. This will mitigate the risk of unauthorised access to, and unavailability of information technology systems, as well as incompleteness of data in the event of major system disruptions or data loss.

Financial health

Our audits included a high-level analysis of auditees’ financial health indicators to provide management with an overview of selected aspects of their current financial management and to enable timely corrective action where the auditees’ operations and service delivery may be at risk. We also performed procedures to assess whether there are any events or conditions that may cast significant doubt on auditees’ ability to continue as a going concern.

Figure 1 indicates the number of auditees that had more than two of the indicators shown in figure 15 below (with findings) and auditees with material going concern uncertainties or adverse audit opinions (with material findings). There has been a reduction in the number of auditees with findings on financial health since the previous year.

Despite the reduction in the number of auditees with findings in this area since the prior year, it is of concern that most municipalities have had to impair more than 10% of their debtors. The average percentage impairment for the municipalities with a finding in this area is 48%.

Seventy-five per cent of municipalities in the Central Karoo district had more than two financial health concerns, compared to only 33% of municipalities in the Cape Winelands district and 40% in the Overberg district. It is also of concern that all municipalities in the Central Karoo district underspent their capital budgets by more than 10%, while 50% of these municipalities also had a deficit for the year. Sixty-three per cent of municipalities in the Eden district also have more than two financial health concerns, with 63% that underspent their capital budgets by more than 10% and 63% that underspent their conditional grants by more than 10%. Fifty per cent of municipalities in the West Coast district have more than two financial health concerns, with 33% that underspent their capital budgets by more than 10% and 17% that underspent their conditional grants by more than 10%.

At three municipalities the ability to continue as a going concern was emphasised. All three municipalities had concerns relating to the percentage of their debt that is recoverable and had a net current liability position. Two of the three municipalities also underspent their conditional grants by more than 10%.

<table>
<thead>
<tr>
<th>Figure 15: Areas of financial health concerns</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 10% of debt irrecoverable</td>
</tr>
<tr>
<td>Underspending of approved capital budget</td>
</tr>
<tr>
<td>Underspending of conditional grants by more than 10%</td>
</tr>
<tr>
<td>Net current liability position realised</td>
</tr>
<tr>
<td>Deficit realised for the year</td>
</tr>
<tr>
<td>Debt-collection period of more than 90 days</td>
</tr>
<tr>
<td>Overspending of operating expenditure budget</td>
</tr>
<tr>
<td>Creditor-payment period of more than 90 days</td>
</tr>
<tr>
<td>Year-end bank balance in overdraft</td>
</tr>
</tbody>
</table>

General report on the audit outcomes of the Western Cape Local Government for 2012-13
Significant deficiencies in internal controls and root causes should be addressed to improve audit outcomes

As part of our audits, we assessed internal controls to determine the effectiveness of design and implementation in ensuring reliable financial and performance reporting and compliance with legislation.

Figure 16: Status of drivers of key controls

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Financial and performance management</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective leadership</td>
<td>Proper record keeping</td>
<td>Risk management</td>
</tr>
<tr>
<td>Oversight responsibility</td>
<td>Processing and reconciling controls</td>
<td>Internal audit</td>
</tr>
<tr>
<td>HR management</td>
<td>Reporting</td>
<td>Audit committee</td>
</tr>
<tr>
<td>Policies and procedures</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Action plans</td>
<td>IT system controls</td>
<td></td>
</tr>
<tr>
<td>IT governance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 1 in the first part of this section and figure 16 above show the status of the different areas of control and the overall movement since the previous year. The sustained improvement of the combined controls relating to leadership, financial and performance management and governance has resulted in the marked improvement in audit outcomes.

There has been significant improvement in the work performed by internal audit units and audit committees. However, at many auditees the leadership is still not taking the work of internal audit and audit committees seriously as they do not exercise sufficient oversight of the implementation of action plans to address both external and internal audit findings, which led to many repeat findings.

Many auditees also improved in the area of record keeping and this is evidenced by the decrease in the number of auditees with qualified financial statements and/or findings on the reliability of performance information.

A major challenge that remains for the auditees is that they still need to make material adjustments to their financial statements to avoid a qualification of their financial statements. Progress made in addressing this challenge has been slow because the leadership is still not insisting that municipal officials prepare regular financial statements during the financial year, the credibility of which should be confirmed through a review by the internal audit unit. This would reduce the material misstatements identified during the audit process.

The failure of auditees to receive a clean audit outcome was as a result of this challenge, together with performance reports which were of a poor quality and the high levels of non-compliance with legislation. The most common root causes of the audit outcomes that need to be addressed are shown in figure 1, while recommendations to address this are listed below.

Widespread root causes:
- Slow response by management in addressing the root causes of poor audit outcomes as some of the recommendations made in the prior year’s general report have not been yet implemented.
- Lack of consequences for poor performance and transgressions as some of the auditees repeated the transgressions they had made in prior years, with the officials who were responsible for it not being held accountable.
- Key positions vacant or key officials lacking appropriate competencies

Recommendations made are as follows:
- The political and administrative leadership of the municipality should insist on receiving regular financial statements and performance reports, the credibility of which should be confirmed by the internal audit unit.
- The oversight functions vested in mayors and accounting officers should be better exercised in a timely manner to ensure the effective implementation of the action plans to address the underlying root causes of both external and internal audit findings and to prevent recurrence thereof.
- Municipal leadership should continue to set the tone by implementing sound performance management processes, evaluating and monitoring performance and consistently demonstrating that poor performance has consequences.

The auditees should take advantage of the many initiatives at national and provincial level to address the human resource weaknesses in local government. The impact of these initiatives should be evaluated and monitored on a regular basis by the leadership, with challenges communicated to the relevant stakeholders in a timely manner to ensure maximum benefits for the auditees.
The level of assurance provided by key role players needs to be improved

The management and leadership of the auditee and those that perform an oversight or governance function should work towards improving the key controls, addressing the root causes and ensuring that there is an improvement in the six key risk areas, thereby providing assurance on the quality of the financial statements and performance reports as well as compliance with legislation.

Based on our assessment, as shown in figure 1 (section 2), some of these role players are not providing the necessary assurance. Below is an overview of the assurance provided by each of the assurance providers.

Senior management

Senior management, which includes the chief financial officer and head of the supply chain management unit, provides assurance by implementing basic financial and performance controls.

Senior management of the auditees that achieved or retained clean audit outcomes provided the required level of assurance around the accuracy and completeness of financial and performance information by conducting proper reviews of this information on a regular basis. They also review transactions for compliance with laws and regulations before approval and corrective actions were taken in instances where non-compliance was identified.

The senior management of the auditees that failed to progress to clean audit outcomes had not tightened their controls around the validation of financial and performance information as material misstatements were still going undetected by senior management and have to be corrected during the audit process. The substantial number of heads of supply chain management units who did not have the minimum competencies as indicated in figure 10 means that they are unable to confirm that all transactions compliant with the relevant laws and regulations before being approved.

The level of assurance provided by senior management can be improved by filling all vacancies at this level in a timely manner with a qualified and competent person whose performance is reviewed and monitored on a regular basis and by taking steps to improve performance. More information on the recommendations to improve the level of assurance provided by senior management is included in the section on human resource management.

Accounting officer or accounting authority

Accounting officers and authorities are responsible for auditees’ internal controls, including leadership, planning, risk management as well as oversight and monitoring. While accounting officers and authorities depend on senior management for designing and implementing the required financial and performance management controls, they should create an environment that helps to improve such controls.

The oversight provided by accounting officers of the work of senior management was one of the key drivers of the improvement in audit outcomes and the gradual movement by auditees towards clean audits outcomes. The accounting officers and authorities monitored action plans on a regular basis and insisted that senior management take steps to address the root causes of prior year findings. This resulted in seven new auditees addressing all their prior year material findings and receiving clean audit outcomes.

However, some accounting officers still have not heeded our call to exercise tight oversight of the design, implementation and monitoring of action plans prepared by senior management to address both internal and external audit findings reported in prior years and the related root causes. This led to their auditees failing to progress towards clean audit outcomes as they had repeat findings in the areas of reliability of financial and performance information and compliance with laws and regulation.

Action plans include our prior year recommendations on what the auditees should do to improve the credibility of performance and financial information and confirm compliance of transaction with laws and regulation before the transactions are approved. Accounting officers and authorities should thus evaluate the status of the implementation of action plans on a monthly basis and take strong action against senior management for poor performance in implementing the action plans to ensure that the control environment of the auditees improves.

Mayor

Mayors have a monitoring and oversight role at both municipalities and municipal entities. They have specific oversight responsibilities in terms of the Municipal Finance Management Act and the Municipal Systems Act, which include reviewing the integrated development plan and budget management as well as ensuring that auditees address the issues raised in audit reports.

Mayors can bring about improvement in the audit outcomes of their auditees by being actively involved in key governance matters and managing the performance of the accounting officers and authorities. This was evidenced by the impact that the oversight exercised by mayors of the work of accounting officers and authorities had on the audit outcomes.
Mayors of auditees with improved outcomes showed greater commitment to clean audit outcomes and drove the action plan process with their accounting officers and authorities. The action plans were monitored by mayors on a monthly basis with the help of internal audit units and audit committees where the accounting officers or authorities and the relevant senior managers were held accountable for the actions to be implemented. The mayors met with the accounting officers and also interacted with external auditors during the year to ensure that they provide the required level of assurance. The impact of the interactions with external auditors is indicated in figure 17.

Sixty-two per cent of the mayors did not provide the required level of assurance as their auditees failed to address all the internal control deficiencies reported in previous audit and consequently the auditees failed to achieve clean audit outcomes. This was due to lack of oversight by mayors of the accounting officers and authorities’ progress in addressing the matters affecting the auditees’ ability to obtain clean audit. The mayors should set the tone at the top and continuously monitor the Municipal governance review and outlook and Municipal governance action plan tools which are aimed at promoting good governance by driving a single-minded focus on clean governance. This would enable them to timeously identify poor performance by their accounting officers and authorities which might compromise the auditees’ ability to achieve clean audits.

**Internal audit**

Internal audit units assist accounting officers and authorities in the execution of their duties by providing independent assurance on internal controls, financial information, risk management, performance management and compliance with legislation. By providing this assurance, internal auditing is one of the key cornerstones of effective organisational governance.

Thirty auditees (94%) invested an estimated amount of R42 871 073 to establish internal audit units at an average rate of R1 429 036 per internal audit unit. Of this, R35 903 734 was spent on salaries of staff in internal audit units and R6 967 338 to outsource the internal audit function. This excludes amounts that might have been spent by the National Treasury, provincial treasury and the provincial department of local government to assist municipalities with their internal audit units.

This investment paid dividends as 47% of these internal audit units provided the required assurance to senior management, accounting officers and authorities by evaluating internal controls, information systems, reliability of financial information, reliability of performance information and compliance with legislation and supply chain management regulations. The positive contributions of the effective internal audit units are evidenced by the number of auditees that have now achieved clean audit outcomes.

The remaining internal audit units faced numerous challenges around adequate resourcing as many auditees reported significant vacancies in the units. As a result they were unable to evaluate some areas of internal controls, information systems, reliability of financial information, reliability of performance information and compliance with legislation and supply chain management regulations, which impacted on their ability to provide the required level of assurance. Senior management, accounting officers and authorities of these auditees were also slow in responding to recommendations of internal audits units, which undermined the effectiveness of the work of these units.

The leadership of the auditees should always ensure that they have well-functioning internal audit units and should thus prioritise filling all the vacancies in these units in a timely manner to ensure that the units have enough resources to carry out their plans. The effectiveness of these units would also be enhanced if management implemented all the recommendations made by internal audit within reasonable time frames.

**Audit committee**

An audit committee is an independent body that advises the council, mayor, accounting officer or authority and senior management on matters such as internal controls, risk management, performance management as well as evaluation and compliance with legislation. The committee is required to provide assurance to the council on the adequacy, reliability and accuracy of financial reporting and information.

In providing this assurance, audit committees depend on the work done by internal audit units. The strong oversight provided by audit committees of the work of internal audit units ensured that audit committees of 53% of the auditees were able to advise and provide the required assurance to councils, mayors, accounting officers or authorities and senior management on internal controls, information systems, reliability of financial information, reliability of performance information and compliance with legislation and supply chain management regulations.

The challenges faced by the internal audit units of the remaining municipalities undermined the effectiveness of their audit committees in providing this assurance.

Audit committees should use the engagements with councils, mayors, accounting officers or authorities and senior management to persuade them to prioritise capacitating internal audit units. These engagements should also be used to persuade management and those charged with governance at the auditees to implement recommendations of internal and external auditors which would result in improved internal controls, information systems, reliability of financial information, reliability of performance information and compliance with legislation and supply chain management regulations.
**Provincial treasury, premier’s office and provincial department of local government**

The Constitution stipulates that provincial government must support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their duties. The Municipal Finance Management Act further requires provincial government to assist municipalities in building capacity to support efficient, effective and transparent financial management. Both the Municipal Finance Management Act and Municipal Systems Act define responsibilities to monitor financial and performance management in compliance with these acts.

The provincial departments that have a direct role to play in supporting and monitoring local government, and thereby providing a level of assurance, are the provincial treasury, the department of local government and the office of the premier. Our assessment of the assurance provided by these departments is based on their initiatives to support and monitor local government and the impact they have had on improving the internal controls of auditees.

The provincial treasury carried out a number of interventions in the province ranging from budgetary control to monitoring of monthly reports and principles of financial management. The provincial treasury reassessed its roles and responsibilities in terms of assurance and partnered with municipalities in the form of the Municipal governance review and outlook (MGRO) process. This process looks at all aspects of the first level of assurance and is driven to ensure that all achieve clean administration, which in turn will result in clean audit outcomes.

The premier used mainly the premier’s coordinating forum to coordinate and monitor provincial oversight, as well as her interactions with members of the executive council, on a monthly basis to monitor progress made towards clean administration. The forum, which meets bi-annually, is attended, among others, by the premier, all members of the executive council, accounting officers and provincial treasury in the province and has a standing agenda item focusing on progress made towards clean administration.

The premier has embarked on a process with the provincial parliament that will see a change to supply chain management legislation relating to instances of state employees conducting business with the state. However, this process is still underway and has not yet had an impact on the audit outcomes and reported compliance findings.

Both the provincial treasury and the premier have made advances in implementing the commitments made in previous years to influence the achievement of clean administration, albeit at a slower-than-expected pace, as seen in the improvement in audit outcomes. The progress made in implementing the commitments relating to improved financial management and better quality performance reporting, as well as ongoing improvement in compliance with procurement and contract management, is expected to be more evident in upcoming years.

We are encouraged by the decrease in findings on the quality of the financial statements and the implementation and monitoring of action plans to address past internal control deficiencies. The performance information of municipalities, in particular, require ongoing focus to address the identified risks and internal control deficiencies in planning, managing and reporting on predetermined objectives.

The challenge remains for provincial treasury and the premier’s office responsible for provincial oversight to improve their monitoring of the implementation of the MGRO process to ensure that control measures to sustain clean administration are institutionalised.

The AGSA undertakes to continue with general and key control engagements as well as important technical engagements in support of the provincial treasury’s efforts.

**Municipal council and municipal public accounts committee**

The council is required to provide assurance through monitoring and oversight. This includes approving or overseeing certain transactions and events as well as investigating and acting on poor performance and transgressions, such as financial misconduct and unauthorised, irregular and fruitless and wasteful expenditure.

Councils have still not sufficiently demonstrated an understanding of their oversight functions and have not totally satisfied themselves that processes were implemented to ensure that reported information was credible and reliable.

In addition, councillors have not taken full ownership of the key control document and satisfied themselves that identified areas of internal control weaknesses received the required level of attention. Furthermore, the councils did not, in all instances, call for regular financial and performance reports and thus did not subject these reports to rigorous interrogation.

Councils are required to:

- periodically review progress made by municipal management in addressing external audit findings.
- periodically seek the findings and views of audit committees and internal audit units on internal control and risk management, and to monitor the
implementation of recommendations by the audit committee and internal audit units with a view to remedial action.

- take timeous action in instances of identified weaknesses or failure by management and staff to perform statutory duties.

The municipal public accounts committee was introduced as a committee of the council to deal specifically with the municipality’s annual report, financial statements and audit outcomes, and to improve governance, transparency and accountability. The committee is an important provider of assurance, as it needs to give assurance to the council on the credibility and reliability of financial and performance reports, compliance with legislation as well as internal controls.

Thirty-three per cent of municipalities had not established municipal public accounts committees. Where such committees have been established, the intended oversight effectiveness and impact on audit outcomes have not yet been achieved. The leadership and oversight structures, in liaison with the AGSA, are encouraged to support the work of these committees.

Provincial legislature and portfolio committee on local government

In terms of the Constitution, the provincial legislature must maintain oversight of the executive authority responsible for local government. This executive authority includes the member of the executive committee for local government and other executives involved in local government, such as the member of the executive committee for finance. The mechanism used to conduct oversight is the portfolio committee on local government.

The speaker of the provincial legislature established a joint committee to focus on local government oversight. Although the forum has not as yet had any visible impact we are confident that, with the commitment displayed by the committee chair and the members, such an impact is imminent.

The speaker has not yet established a speaker’s forum and a chair of chairs forum for municipal public accounts committees.

District municipalities

According to the Municipal Structures Act, a district municipality is responsible for integrated development planning for the district municipality as a whole, including a framework for integrated development plans of all municipalities in the area of the district municipality.

The district municipalities in the province have limited their scope of work to the legislative mandate as per the Municipal Structures Act. Consequently, most of the district municipalities have not established formal programmes to assist local municipalities to improve key control on areas of leadership, financial and performance management and governance.

The main challenge for district municipalities is that the control environments for most of the high-capacity and some medium-capacity local municipalities within their district are at a higher maturity level than the district municipalities. These local municipalities would thus not benefit from assistance from the district as they are often better resourced than the district municipality.

West Coast is the only district municipality which is in a unique position to provide valuable support to the local municipalities under their jurisdiction as it has achieved a clean audit outcome for three successive years. The risk assessment officer from West Coast District Municipality assisted three municipalities with a risk assessment service and helped another municipality mitigate their risks and sustain their clean audit outcome for the past three years.

The low-capacity municipalities and some of the medium-capacity municipalities which have human resource constraints, as detailed in the human resource section of this general report, would benefit a great deal from the establishment of shared services in areas such as risk assessment, internal audit units and audit committees. Each district could pool resources and establish effective and efficient shared services that would help strengthen key controls in areas of leadership, financial and performance management and governance.

The local municipalities under Central Karoo District Municipality would benefit the most from coordinated support from the district municipalities as they often struggle to attract skilled personnel to fill vacancies in their internal audit units and serve on their audit committees because of their geographic location.
The initiatives and commitments of all role players should continue to have a positive impact on future audit outcomes

We have shared our key message on the actions needed to improve audit outcomes with accounting officers and authorities, mayors, councils and municipal public accounts committees through our reports and interactions with them.

Figure 17: Interactions with mayors

Figure 17 shows the number of meetings we had with mayors during 2012-13 and our assessment of the impact of these interactions. In response to the 2010-11 audit outcomes, mayors committed an hour of their time every 90 days to meet with the AGSA senior management. At these interactions the status of the key controls of auditees and commitments are discussed and identified risks shared. As can be seen in figure 17, the availability of the mayors and the impact of discussions remain a concern for the AGSA.

The commitments in the Western Cape are centred on the Municipal governance review and outlook process. Operation clean audit in the province is driven via this process. Support is provided transversally to all 30 municipalities and two municipal entities within the Western Cape by means of training or issuance of best practice guidance documents in response to the AGSA’s audit findings. Further assistance is provided on request by municipalities via the Municipal governance action plan, which is the Municipal governance review and outlook monitoring tool, as well as during municipal information team visits. In addition, the following:

- The provincial leadership undertook to drive the strengthening of the relationship between the ministries of provincial treasury and local government and municipalities, to review the effectiveness of the municipal-specific support and oversight initiatives provided to the councillors and officials to enable them to address financial and performance management at municipalities and to review the status of the quality, implementation and monitoring of the municipalities’ action plans. The relationship will be monitored by the premier through feedback at the premier’s coordinating forum. The premier’s coordinating forum will also be used to monitor Operation clean audit which is coordinated by the provincial treasury and local government ministry through the monitoring and evaluation of municipalities’ key controls and commitments, as well as sharing of best practice in order to achieve sustainable clean audit outcomes.

- Provincial treasury is the main driver of the municipal governance review and outlook process and is fully committed to its success while partnering with municipalities. Our recent engagements with provincial treasury have also produced some new commitments which will be followed up during the next financial year, viz. a joint workshop with the AGSA on the preparation of audit files; a dedicated meeting to discuss the way forward for Kannaland Municipality; widespread marketing and utilisation of the provincial treasury’s support services, inclusive of the help desk; the inclusion of predetermined objectives as part of the internship programme to build skills in this regard, and a focus on municipalities that are very close to achieving a clean audit.

- The department of local government has committed to performing a readiness assessment to determine what municipalities should do to manage and report on predetermined objectives and to assist municipalities with the development of standard key performance indicators. They will also assist municipalities with the implementation of performance management systems; participate in and provide support to interview panels; appoint a service provider to assist with recruitment and to provide advice on disciplinary matters. This includes garnering support for the establishment of municipal public accounts committees and clarifying the roles of these committees; providing the premier with support in reviewing the appointment of internal audit and audit committees to strengthen the independence of these governance structures; and continued training for council members to strengthen oversight at their level. In addition they will provide quarterly progress reports on the above initiatives to the minister and, when called upon, to
the standing committee on local government. A report will also be submitted to the Premier’s Co-ordinating Forum twice a year.

- The joint oversight committee will continue to review municipalities’ key control documents which will be used as a template for interactions. The outcomes of these reviews will be reported to Parliament and municipalities will be called upon to account for their outcomes if considered necessary. In addition, the joint oversight committee has resolved to host an annual symposium where the Auditor-General will present the audit outcomes to municipalities in the province, as well as an annual symposium on the establishment and functioning of municipal public accounts committees.

Throughout the year, we obtain and monitor the commitments of mayors, councils and municipal public accounts committees to implement initiatives that can improve audit outcomes. The progress made with such commitments in response to the previous year’s audit outcomes and any new commitments made are included in the section on the results of municipalities. While the progress made with commitments has been slow over the last few years, there seems to be a momentum heading in the right direction which can be accredited to the Municipal governance review and outlook process and the commitment made in this regard.

During our roadshow on audit outcomes, we also shared this message with the provincial legislature, the premier, provincial treasury and provincial department of local government. We furthermore confirmed the progress of the commitments made by these role players in response to the previous year’s audit outcomes.

The institutionalised good financial processes and practices have resulted in a significant improvement in audit outcomes. Our messages continue to focus on the sustainability of these outcomes and renewed attention to the areas of concern. We are confident that with the commitment of the leadership, the upward trend will continue.

The following is a summary of the most common commitments and recommendations made in this report:

- Regular preparation and review of financial statements, including improving controls over the daily and monthly processing and reconciliation of transactions.

- Leadership should ensure that the implementation of action plans is reviewed and monitored to address internal control deficiencies, thus effectively avoiding repeat findings.

- Daily and monthly controls must be applied and reviews must be performed and/or institutionalised across all disciplines within all municipalities.

- Develop and monitor the implementation of standard operating procedures that are fully documented for performance reporting purposes.
The provision of water and sanitation services and road infrastructure should receive focused attention

The state of municipal infrastructure in South Africa is a crucial element to ensure service delivery to all communities. In support of this, we reviewed key aspects of the provision of water and sanitation services and roads infrastructure by municipalities and reported the findings in the management reports.

Water and sanitation

According to the Constitution, every person has a right to clean water. Government therefore set a target to provide access to basic water and sanitation to all the people in South Africa by 2014. More than 5% of people countrywide are still without clean water. As local government is responsible for providing water and sanitation services, this function lies with municipalities that have been classified as water services authorities. There are 25 water services authorities in the province, all of which were audited.

The lack of both these services increases the risk of poor health and premature deaths, while the lack of proper sanitation can pollute rivers and dams, thus negatively affecting the environment.

We identified red flags that could impact on municipalities’ ability to provide a large portion of the province’s population with clean water and proper sanitation. These need focused attention to ensure that government’s objectives relating to water and sanitation are achieved:

- Access to basic water is not reported as a key performance indicator at six municipalities (24%).
- Access to basic sanitation is not reported as a key performance indicator at four municipalities (16%).
- A water services development plan was not adopted at four municipalities (16%).

Roads infrastructure

In terms of the Constitution, the functions and powers relating to roads lie with those municipalities classified as roads authorities. There were 25 roads authorities in the province all of which were audited.

The condition of roads impacts on all citizens and as such poor road conditions create challenges for many, resulting in unnecessary time delays, increased transportation costs and reduced access to education, health care and social services.

We identified red flags that could impact on municipalities’ ability to provide the people with proper roads. These need focused attention to ensure that government’s objectives relating to roads are achieved:

- Seven municipalities (28%) did not have indicators or targets for the construction of new roads.
- Seven municipalities (28%) did not have a plan to address the backlogs relating to roads infrastructure.
- Seven municipalities (28%) did not have an approved policy on roads infrastructure.

To address these deficiencies and improve service delivery, the mayors, municipal councils, municipal public accounts committees and accounting officers should focus on the inclusion of provisioning and access to basic services and road infrastructure as a key performance priority in the integrated development plan. In addition, these priorities should be cascaded to the individual performance agreements of the officials to ensure and facilitate accountability.

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AUDIT OUTCOMES OF INDIVIDUAL MUNICIPALITIES
This section of the report is divided into two sections for each municipality, with an analysis of the following:

- Municipal demographics aimed at providing context to and an understanding of the environment in which the municipality operates. This includes a graphical illustration of general statistics relating to the population and basic services applicable to the specific municipality. Please note that the statistics used to populate these were obtained from the 2011 census report prepared by Statistics South Africa and have not been audited by the AGSA.

- A one-page illustrated overview and one-page narrative overview of the status of the municipality from an audit perspective, which includes the following:
  - Audit outcomes over a three-year period
  - Drivers of key controls
  - Assurance provided by key players around accountability
  - A reflection of progress made in a number of critical risk areas
  - Root causes that underpin the audit outcomes and internal control weaknesses
  - Commitments made by key role players in the municipality.
The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
Municipal audit outcomes per district

- **Unqualified with no findings**
- **Unqualified with findings**
- **Qualified with findings**
- **Adverse or disclaimer with findings**
- **Audits outstanding**

<table>
<thead>
<tr>
<th>District</th>
<th>Improved</th>
<th>Stagnant or little progress</th>
<th>Regressed</th>
</tr>
</thead>
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<tr>
<td>Cape Winelands</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>Central Karoo</td>
<td></td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Overberg</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>City of Cape Town (Metro)</td>
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<td>2</td>
<td>1</td>
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General report on the audit outcomes of the Western Cape Local Government for 2012-13
Cape Winelands District
1.1 Cape Winelands District Municipality

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

Drivers of key controls not improving

<table>
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<tr>
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<th>Financial and performance management</th>
<th>Governance</th>
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<td>Reporting</td>
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<td>Policies and procedures</td>
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<td>Action plans</td>
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<tr>
<td>IT governance</td>
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Good | Concerning | Intervention required |

Assurance levels should be improved

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<tr>
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<th>Provides some assurance</th>
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</thead>
<tbody>
<tr>
<td>Municipal manager</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Mayor</td>
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</tr>
<tr>
<td>Internal audit</td>
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<td>Audit committee</td>
<td>Provides some assurance</td>
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<tr>
<td>Municipal council</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>MPAC</td>
<td>Provides some assurance</td>
</tr>
</tbody>
</table>

Status of key commitments by the mayor

- Declarations of interest were completed by all staff.
- Municipal Governance Review and Outlook (MGRO) implemented for monitoring by the CFO.
- Establishment of a committee to drive clean audit outcomes.

Root causes to be addressed

Slow response to AGSA messages:
- Inadequate review of financial statements and annual performance report before submission to audit.
- Adequate policies and procedures for financial and performance information not developed.
- Leadership did not adequately monitor management actions to address the root causes of past audit findings.

Lack of competency or skills:
- Failure by leadership to ensure sufficient skills to prepare GRAP-compliant financial statements.
- Incorrect interpretation and application of SCM regulations.

No progress made in addressing risk areas

Supply chain management
- Quality of performance reports
- Human resource management

Quality of submitted financial statements
- Information technology controls
- Financial health

The current audit outcomes are the result of the attention given to the six risk areas, and the drivers of the key controls and the root causes as well as the level of assurance that was provided by the key role players and the progress made on their commitments.
Current year audit outcomes: ■ Unqualified with findings

Stagnation in audit outcome

The stagnation in the audit outcome of the municipality was mainly caused by inadequate monitoring and review of financial statements and annual performance information due to extensive clean-up and late finalisation of the municipality’s asset register in the current year before submission for audit.

The municipality employed consultants to assist in the preparation of certain components of the financial statements for audit and to review the accounting policies applied in the said statements for GRAP compliance.

Six key risk areas

Supply chain management regressed as a result of the misinterpretation of the legislative requirement to obtain three quotations and the approval of deviations.

The quality of the annual performance reports has regressed as the report submitted for auditing this year contained material misstatements. The municipality should focus on the development and implementation of standard operating procedures and on validating the quarterly performance reports.

Human resource management has remained stable; however, it should focus on ensuring that finance resources have the necessary GRAP skills.

The quality of financial statements submitted for audit has regressed as material misstatements were not prevented or detected by the municipality’s internal controls.

No progress has been made in IT controls by the municipality. An IT governance framework has not been designed or implemented, while security management, user access management and IT service continuity controls were not adequately designed and implemented.

Financial health remained stable with some concerns around budget management, namely underspending of capital expenditure and conditional grants.

Key controls and root causes

The overall deterioration in key controls was due to the municipality’s failure to adequately address the prior year internal control deficiencies relating to financial reporting and supply chain management compliance. In the current year inadequate standard operating procedures were in place for key performance indicators.

The following controls should be strengthened by the municipality to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Adequately skilled resources within the municipality to correctly apply the GRAP reporting framework and supply chain management regulations.
- Preparation and validation of quarterly and annual financial and performance reports.
- Establish and communicate policies and procedures to enable and support understanding on performance information and supply chain management.

The council and management should address the root causes of poor audit outcomes and inadequate controls by:

- monitoring the timely implementation of the controls recommended above.

Impact of key role players on audit outcomes

For improved audit outcomes, assurance levels should be improved by implementing the recommendations of internal audit and external auditors and directing the work of the audit committee towards evaluating performance information and review of financial statements. No meetings were held with the mayor during 2012-13 to impact on audit outcomes. Subsequent to the financial year, the mayor committed to the following improvements to be actioned by the accounting officer:

- Implementation of standard operating procedures for performance information.
- Review of quarterly financial statements by subject matter expert.
- Implementation of a compliance model.
1.2 Breede Valley Municipality

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

Improvement in audit outcome

2012-13
Unqualified with no findings

2011-12
Unqualified with findings

2010-11
Unqualified with findings

Drivers of key controls improving

Leadership
- Effective leadership
- Oversight responsibility
- HR management

Financial and performance management
- Proper record keeping
- Processing and reconciling controls

Governance
- Risk management
- Internal audit
- Audit committee

Policies and procedures
- Compliance
- IT system controls

Action plans
- IT governance

Good
- Concerning
- Intervention required

Assurance levels should be improved

Senior management
- Provides assurance

Municipal manager
- Provides assurance

Mayor
- Provides assurance

Internal audit
- Provides assurance

Audit committee
- Provides assurance

Municipal council
- Provides assurance

MPAC
- Provides assurance

Progress made in addressing risk areas

Supply chain management

Quality of performance reports

Human resource management

Quality of submitted financial statements

Information technology controls

Financial health

No findings
- Findings
- Material findings

Root causes to be addressed

Slow response to action plan: Except for the implementation of the IT governance framework not being finalised, no significant internal control deficiencies were identified.

Status of key commitments by the mayor

IT governance

The municipality commits to implementing standard operating procedures with respect to IT governance.
Current year audit outcomes: Unqualified with no findings

Significant movement in audit outcome

The improvement in the audit outcomes which resulted in the audit report being unqualified with no findings was due to improvements in controls relating to compliance with laws and regulations. These were effectively managed through a consolidated action plan, with input from provincial treasury, the AGSA and the municipality’s risk management strategy.

The municipality used a consultant to assist with the preparation of financial statements at an amount of R757 779 (2012: R74 469).

Six key risk areas

The municipality has made significant progress in addressing the six key risk areas through consistent review and monitoring of its action plan to address past audit findings and identified internal control deficiencies. The following areas require further attention to address the residual internal control deficiencies:

- Improvements are required in the procurement process in relation to quotations, construction contracts and maintaining a list of accredited prospective providers. This was due to the limited availability and alignment of municipal resources to deliver in these areas.
- The daily disciplines were not always adhered to with respect to prior approvals relating to human resource activities.

- The IT manager needs to improve IT controls to mitigate the risk of unauthorised access to the municipal systems and to strengthen the information recovery procedures.

Key controls and root causes

The improvement in key controls was due to an improvement in leadership controls, which in turn resulted in improved oversight of financial and performance management. The municipality should strengthen the following control to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipality has not completed the IT governance framework that supports and enables the business, delivers value and improves performance due to the limited available resources. Municipal management should prioritise the adoption and implementation of the cabinet-approved IT governance framework and guidelines within the next three financial years.

Impact of key role players on audit outcomes

The assurance levels are satisfactory for continued sustainability of the audit outcomes. The reason for our assessment is that the municipal leadership and those charged with governance actively monitor progress made by the department; however, the establishment of an IT governance framework requires attention. We met with the mayor once during the financial year and this, alongside the efforts of the accounting officer, had a significant impact on the audit outcomes. No new commitments were made as the auditee will focus on implementing the commitments made in the prior period.
1.3 Drakenstein Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.
Stagnation in audit outcome

- 2012-13: Unqualified with findings
- 2011-12: Unqualified with findings
- 2010-11: Unqualified with findings

Drivers of key controls improving

- Leadership: Effective leadership
- Financial and performance management: Proper record keeping
- Governance: Risk management
- Human resource management: Internal audit
- Policies and procedures: Reporting
- Action plans: Compliance
- IT governance: System controls

Progress made in addressing risk areas

- Supply chain management: No findings
- Quality of performance reports: Findings
- Human resource management: Findings
- Quality of submitted financial statements: Material findings
- Information technology controls: Findings
- Financial health: Findings

Root causes to be addressed

- Slow response to prior year message: Prior year PDO findings were not addressed in a timely manner due to late training of managers. Implementation of standard operating procedures was left too late in the year to be effective.
- Lack of skills and resources: Unauthorised expenditure was not prevented due to the municipality not having sufficient skills to budget for all GRAP adjustments. The municipality does not have the required skills to compile financial statements and also did not appoint consultants for the purpose in a timely manner; therefore sufficient reviews could not be done.

Assurance levels should be improved

- Senior management: Provides some assurance
- Municipal manager: Provides some assurance
- Mayor: Provides some assurance
- Internal audit: Provides assurance
- Audit committee: Provides assurance
- Municipal council: Provides some assurance
- MPAC: Provides some assurance

Status of key commitments by the mayor

- Key deficiencies in controls over assets from prior year were addressed.
- Assistance will be requested from provincial treasury regarding access to a database to enable SCM to detect employees who are in the service of state institutions and received awards for goods or services.
- Disaster recovery plan: The upgrading of the off-site location will be requested through the budget process for the MTREF budget period for 2013-18.

The municipality is developing a revised performance management framework that should be approved within the next financial year.

The municipality will ensure the timely review of the annual financial statements in 2013-14.

The municipality will review the KPIs and targets in the top-layer SDBIP for 2013-14 and propose amendments to council where needed.
Current year audit outcomes: Unqualified with findings

Stagnation in audit outcome

The overall audit outcome remained unchanged, but the regression in relation to predetermined objectives was due to the municipality’s failure to address prior year audit findings in a timely manner and insufficient training for all managers to ensure a similar understanding of what is required.

The municipality appointed skilled staff so they did not rely on consultants to assist with the preparation of financial statements for audit, as was required in the prior year.

Six key risk areas

Progress has been made in addressing some of the key risk areas, notably IT controls and financial health. Progress has also been made with human resource management, supply chain management and the quality of the submitted financial statements, but there are still some shortcomings in these areas that require attention. The municipality employed sufficiently skilled staff only after the financial year-end, which left insufficient time to properly compile and review the financial statements and, although consultants were appointed late in the process, material misstatements were identified which required correction to avoid a qualified opinion.

The quality of the annual performance report has regressed. The municipality should focus on the measurability of the performance information to address material findings on the usefulness of its performance report.

With regard to financial health, the municipality’s debt-collection period after impairment has increased from 45 to 58 days at year-end. When assessed with the creditor-payment period of less than 30 days, the delayed conversion of the debtors to cash may put undue pressure on the municipality’s cash flow position and could hinder timely payment of creditors.

Key controls and root causes

The key controls for financial and performance management have declined, but remained constant for leadership and improved for governance.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Develop and monitor action plans to address internal control deficiencies on a regular basis and report on the progress made to all levels of assurance providers.
- Prepare a full set of financial statements more regularly. These should be properly reviewed by all levels of assurance providers.
- Compile a performance report supported by reliable information.

Leadership and management should address the root causes of poor audit outcomes and inadequate controls as follows:

- A proper review of the financial statements should be done by assurance providers prior to submission of the financial statements for audit purposes.
- Proper training should occur for a full understanding of performance management. Standard operating procedures must be developed and portfolios of evidence reviewed regularly.

Impact of key role players on audit outcomes

Assurance levels should be improved by senior management implementing the recommendations of external audit.

We met with the mayor three times during the financial year, which had some impact on the audit outcomes. The reason for our assessment is the status and impact of the prior year commitments.

The assurance levels provided by the municipal council reflect the audit outcomes of the current year where some improvement is still required.

The municipal council undertook to fully implement the previous year’s commitment, which was to develop and implement a revised performance management framework, and made the following new commitments:

- Ensure timely review of the annual financial statements in 2013-14 and oversee the review of the financial statements,
- Oversee the review of the key performance indicators and targets in the top-layer SDBIP for 2013-14.
1.4 Langeberg Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

**Population**

- **Population status**
  - 1996: 66,472
  - 2001: 81,684
  - 2011: 97,724

- **Age**
  - 1996:
    - 0-14: 6%, 15-64: 62%, 65+: 32%
  - 2001:
    - 0-14: 6%, 15-64: 63%, 65+: 31%
  - 2011:
    - 0-14: 6%, 15-64: 66%, 65+: 28%

- **Male/Female**
  - 1996:
    - Male: 51%, Female: 49%
  - 2001:
    - Male: 52%, Female: 48%
  - 2011:
    - Male: 51%, Female: 49%

**Basic services**

- **Electricity**
  - 2011: 94% of the households have access to electricity
  - 2001: 88%
  - 1996: 80%

- **Piped water**
  - 2011: 94% of the households have access to piped water
  - 2001: 90%
  - 1996: 91%

- **Toilet facilities**
  - 2011: 89% of the households have access to toilet facilities
  - 2001: 83%
  - 1996: 73%

**Education**

- 1996:
  - Higher education: 15%
  - GR12: 13%
  - No schooling: 7%

- 2001:
  - Higher education: 12%
  - GR12: 16%
  - No schooling: 6%

- 2011:
  - Higher education: 16%
  - GR12: 12%
  - No schooling: 7%

**Labour**

- 1996:
  - Employed: 84%
  - Unemployed: 16%

- 2001:
  - Employed: 88%
  - Unemployed: 12%

- 2011:
  - Employed: 89%
  - Unemployed: 11%

**Households**

- **Average household size**
  - 1996: 4.0
  - 2001: 3.8
  - 2011: 3.7

- **Average dwelling type per no. of households**
  - Formal dwelling: 91%
  - Traditional dwelling: 93%
  - Informal dwelling: 91%

- **Average household income**
  - 2001: 42,658
  - 2011: 68,307
Continued clean audit outcome

Root causes to be addressed
Drivers of key controls improving
Assurance levels should be improved

Progress made in addressing risk areas

Status of key commitments by the mayor

Except for the municipality not monitoring the implementation of the IT governance framework, no significant internal control deficiencies were identified.

The municipality commits to update its IT settings to comply with the IT security policy, to review user activity and to draft a disaster recovery plan, including the development and implementation of an IT governance framework.
Current year audit outcomes: ■ Unqualified with no findings

Sustained clean audit outcome

The municipality’s audit outcomes remained unchanged since the prior year and it maintained its clean audit outcomes thanks to continuous drive by leadership.

The municipality continued to rely on consultants to review the preparation of financial statements at a cost of R51 300 in the current year (2012: R51 300).

Six key risk areas

The overall status of the six key risk areas indicates that the municipality is generally well managed. Progress has been made in addressing the key risks areas, most notably in supply chain management and human resource management. The residual risks in these areas, including reducing the extent of material misstatements in the annual performance report and implementing an IT framework, require further attention by the municipality.

Key controls and root causes

Overall, the key controls continue to reflect an improvement due to the municipal leadership owning the process to address internal control deficiencies on an ongoing basis. The municipality should strengthen the following controls to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipality should improve its drive to manage compliance with laws and regulations governing supply chain management.
- IT controls should be improved in relation to establishing an IT governance framework to mitigate the risk of unauthorised access to municipal systems and strengthening the information recovery procedures.

Impact of key role players on audit outcomes

The assurance levels provided by leadership should be maintained to sustain the clean audit outcomes achieved during the current year.

We met with the mayor once during the financial year and this interaction had some impact on the audit outcomes. The reason for our assessment is the impact that the mayor had on the controls of the auditees as well as the status and impact of the prior year commitments.
1.5 Stellenbosch Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

**Population**

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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>0-14</td>
<td>69%</td>
<td>70%</td>
<td>72%</td>
</tr>
<tr>
<td>15-64</td>
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**Age**

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<thead>
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<th>Female</th>
</tr>
</thead>
<tbody>
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<td>37</td>
</tr>
<tr>
<td>2011</td>
<td>33</td>
<td>33</td>
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**Male/Female**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>51%</td>
<td>49%</td>
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<tr>
<td>2001</td>
<td>52%</td>
<td>48%</td>
</tr>
<tr>
<td>2011</td>
<td>51%</td>
<td>49%</td>
</tr>
</tbody>
</table>

**Basic services**

- **Electricity**
  - 1996: 10%
  - 2001: 9%
  - 2011: 7%
  - 93% of households have access to electricity

- **Piped water**
  - 1996: 3%
  - 2001: 2%
  - 2011: 1%
  - 81% of households have access to piped water

- **Toilet facilities**
  - 1996: 2%
  - 2001: 7%
  - 2011: 2%
  - 92% of households have access to toilet facilities

**Education**

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher education</th>
<th>GR12</th>
<th>No schooling</th>
</tr>
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<tbody>
<tr>
<td>1996</td>
<td>8%</td>
<td>20%</td>
<td>17%</td>
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<tr>
<td>2001</td>
<td>6%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>2011</td>
<td>3%</td>
<td>25%</td>
<td>17%</td>
</tr>
</tbody>
</table>

**Labour**

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>2001</td>
<td>17%</td>
<td>83%</td>
</tr>
<tr>
<td>2011</td>
<td>15%</td>
<td>85%</td>
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</tbody>
</table>
Stagnation in audit outcome

Drivers of key controls not improving

Assurance levels should be improved

No progress made in addressing risk areas

Root causes to be addressed

Status of key commitments by the mayor – meeting with mayor pending

Supply chain management

Quality of performance reports

Human resource management

Quality of submitted financial statements

Information technology controls

Financial health

2012-13
Unqualified with findings

2011-12
Unqualified with findings

2010-11
Unqualified with findings

Leadership
Effective leadership
Oversight responsibility
HR management
Policies and procedures
Action plans
IT governance

Financial and performance management
Proper record keeping
Processing and reconciling controls
Reporting
Compliance
IT system controls

Governance
Risk management
Internal audit
Audit committee

Good
Concerning
Intervention required

Senior management
Provides some assurance

Municipal manager
Provides some assurance

Mayor
Provides some assurance

Internal audit
Provides assurance

Audit committee
Provides some assurance

Municipal council
Provides some assurance

MPAC
Not yet established

Slow response to AGSA messages resulted in:
• inadequate systems to ensure that KIPs are well defined and that information in the annual performance report is supported by reliable audit evidence.
• inadequate monitoring of action plans to address the prior year findings reported.
• late review of the financial statements and inadequate audit file.

Lack of consequences:
• Inadequate planning for procurement processes as most of the budget was spent in the last three months of the year.

• Implementation of the contract register for all procurement contracts.
• Appointment of an IT manager.

• Appointment of the municipal manager for the 2012-13 financial year.
• Review of the KPIs in the service delivery budget implementation plan to make them well defined.
• Review of the standard operating procedures of the KPIs and roll-out to all the role players.
• Monitor the implementation of actions to address deficiencies in key controls reported in previous audit findings.
• Appointment of the head of supply chain management.

• Appointment of the head of supply chain management.

Status of key commitments by the mayor – meeting with mayor pending

General report on the audit outcomes of the Western Cape Local Government for 2012-13
Current year audit outcome: □ Unqualified with findings

Stagnation in audit outcomes

The stagnation in audit outcomes was as a result of inadequate monitoring of management’s action plans, which resulted in material corrections to the financial statements and material findings on compliance and predetermined objectives.

Consultants were engaged for the infrastructure asset count and the preparation of performance information at a cost of R3 696 307 (2012: R8 295 073).

Six key risk areas

The status of supply chain management regressed, primarily due to non-compliance with the legislative requirement to ensure that deviations are approved by the accounting officer strictly in accordance with the supply chain management regulations.

There were material findings on the usefulness and reliability of the annual performance report. The municipality should focus on the measurability of the key performance indicators, drafting of standard operating procedures and the validation of quarterly performance reports.

Human resource management has improved as the council had appointed a municipal manager after a number of years of instability in the position. However, challenges in the organisational structure and vacancies in supply chain management and performance reporting impacted on findings in those areas.

The quality of the financial statements remains unsatisfactory as material misstatements to disclosure notes were not prevented or detected by the municipality’s internal controls. The review controls over the information used to compile the financial statements should be strengthened.

The municipality has made no significant progress in improving IT controls. The key improvement areas are the monitoring of IT vendors’ performance and service continuity, as well as finalising the appointment of an IT manager.

Financial health remained stable with concerns relating to budget management, namely underspending of the capital budget and conditional grants and creditor/debtor payment periods exceeding the norm.

Key controls and root causes

The stagnation in key controls was due to the municipality not adequately addressing the internal control deficiencies identified in leadership oversight of predetermined objectives and financial reporting and compliance controls.

The municipality should strengthen the following controls to create a reliable internal control environment:

- Exercise oversight of the quarterly financial and performance reports.
- Establish and communicate policies and procedures to enable and support understanding on performance information and supply chain management.
- Monitor and follow up on the implementation of action plans.

The council and management should address the root causes of poor audit outcomes and inadequate controls as follows:

- Validate financial and performance reports.
- Establish and communicate standard operating procedures for well-defined key performance indicators.
- Hold officials accountable for slow progress in addressing internal control deficiencies reported by both internal and external audit.

Impact of key role players on audit outcomes

Assurance levels should be enhanced by directing the work of the audit committee towards critically evaluating the quarterly performance reports and continuous monitoring of the progress with commitments made by leadership.

No meetings were held with the mayor during 2012-13 to impact on audit outcomes. Subsequent to the financial year, the mayor committed to the following improvements to be actioned by the accounting officer:

- Revision of the KPIs to make them well defined.
- Review of the standard operating procedures and roll-out to all the role players.
- Monitor the implementation of management action plans.
- Appointment of the head of supply chain management.

The municipality is still in the process of establishing the municipal public accounts committee.
1.6 Witzenberg Municipality

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Population

- **Age**
  - 1996: 65% Male, 35% Female
  - 2001: 50% Male, 50% Female
  - 2011: 51% Male, 49% Female

- **Male/Female**
  - 1996: 49% Male, 51% Female
  - 2001: 50% Male, 50% Female
  - 2011: 50% Male, 50% Female

Education

- **Higher education**
  - 1996: 14%
  - 2001: 10%
  - 2011: 13%

- **GR12**
  - 1996: 12%
  - 2001: 13%
  - 2011: 6%

- **No schooling**
  - 1996: 18%
  - 2001: 7%
  - 2011: 6%

Labour

- **Employed**
  - 1996: 9%
  - 2001: 14%
  - 2011: 9%

- **Unemployed**
  - 1996: 91%
  - 2001: 86%
  - 2011: 91%

Basic services

- **Electricity**
  - 2011: 93%
  - 2001: 84%
  - 1996: 78%

- **Piped water**
  - 2011: 91%
  - 2001: 88%
  - 1996: 90%

- **Toilet facilities**
  - 2011: 92%
  - 2001: 83%
  - 1996: 75%

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Improvement in audit outcome

Drivers of key controls improving/ not improving

Assurance levels should be improved/maintained

Progress made in addressing risk areas

Root causes to be addressed

Status of key commitments by the mayor

2012-13
Unqualified with no findings

2011-12
Unqualified with findings

2010-11
Unqualified with findings

Supply chain management

Quality of performance reports

Human resource management

Quality of submitted financial statements

Information technology controls

Financial health

No findings
Findings
Material findings

Leadership
Financial and performance management
Governance

Effective leadership
Oversight responsibility
HR management
Policies and procedures
Action plans
IT governance

Proper record keeping
Processing and reconciling controls
Reporting
Compliance
IT system controls

Risk management
Internal audit
Audit committee

Good
Concerning
Intervention required

Senior management
Provides assurance

Municipal manager
Provides assurance

Mayor
Provides some assurance

Internal audit
Provides assurance

Audit committee
Provides assurance

Municipal council
Provides some assurance

MPAC
Provides limited/no assurance

No significant deficiencies relevant to the audit of the financial statements, performance report and compliance with laws and regulations.

Monitoring timely submission of annual financial statements and performance report.

Ensuring that governance structures are in place and operating.

Exercise oversight of and responsibility for financial and performance reporting and compliance and related internal controls.

Monitoring the development and implementation of action plans to address internal control deficiencies.
Current year audit outcomes: ■ Unqualified with no findings

Significant movement in audit outcome

The improvement in the audit outcome was due to the relevant stakeholders providing assurance and addressing the previous findings on non-compliance with laws and regulations and predetermined objectives. Action plans were developed to address these weaknesses and the implementation of these plans was monitored by management on a regular basis. During the audit process there was regular interaction between management, internal audit and the audit committee, which ensured that all matters affecting the audit were discussed and addressed in a timely manner.

Six key risk areas

The quality of the annual financial statements and performance information submitted for audit has improved significantly, including compliance with the laws and regulations governing supply chain management. Management has to be mindful of the impact of the low debt-collection rate on the financial health of the municipality and take steps to address this area of concern.

Key controls and root causes

The improvement in key controls was due to an improvement in leadership controls, which in turn resulted in improved oversight of financial and performance management. In order to sustain the clean outcome, the municipality should strengthen the following controls to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Leadership should ensure that the IT governance framework adequately addresses the management of user access to the application systems.
- Management should review and monitor the supply chain management process to ensure compliance with applicable laws and regulations in all respects.
- Management should focus on the design and implementation of formal control over the IT systems to ensure the reliability of the systems and availability, accuracy and protection of information.

Impact of key role players on audit outcomes

The assurance levels provided by the municipal leadership and those charged with governance should be maintained to sustain the clean audit outcome achieved during the current year. The active involvement of senior management in the audit process has contributed significantly to the positive audit outcome achieved in the current year compared to the prior year.

The municipal manager’s attendance of audit steering committee meetings has provided him with an opportunity to become aware of all the audit issues and to address these issues timeously.

Internal audit and the audit committee have also contributed to strengthening the control environment of the municipality, which had a positive impact on the current year audit outcomes.

The oversight role and assurance provided by the mayor and municipal council as, well as the municipal public accounts committee, should be improved to sustain the clean audit outcome.
1.7 Central Karoo District Municipality (and its entity)

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The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

97% of the households have access to piped water

90% of the households have access to toilet facilities

89% of the households have access to electricity
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Movement in audit outcome

<table>
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<tr>
<th>Year</th>
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<th>Unqualified with findings</th>
<th>Qualified with findings</th>
<th>Outstanding audits</th>
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<tr>
<td>2012-13</td>
<td>100%</td>
<td></td>
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<tr>
<td>2011-12</td>
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</tr>
<tr>
<td>2010-11</td>
<td>100%</td>
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</table>

Drivers of key controls improving/ not improving

<table>
<thead>
<tr>
<th>Control Area</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
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<tbody>
<tr>
<td>Leadership</td>
<td>100%</td>
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<td>100%</td>
</tr>
<tr>
<td>Financial and performance governance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance</td>
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<td>Risk management</td>
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<td>Policies and procedures</td>
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Assurance levels should be improved/ maintained

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<tr>
<td>Municipal manager</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Mayor</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Audit committee</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Municipal council</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>MPAC</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Status of key commitments by the mayor/ accounting officer

- Discipline with regards to adherence to policies and procedures will be tightened and irregular expenditure in respect of procurement contracts will be further investigated.
- Oversight will be improved to ensure the timely submission of the annual financial statements of the municipality and its entity in future.
- An action plan will be developed to address the control deficiencies identified, especially to prevent irregular expenditure.

No progress made in addressing risk areas

- Supply chain management
- Quality of performance reports
- Human resource management
- Quality of submitted financial statements
- Information technology controls
- Financial health

Root causes to be addressed

- Slow response by management: Leadership did not implement adequate measures in a timely manner to exercise sufficient oversight of financial reporting and compliance with laws and regulations, resulting in material misstatements in the financial statements.
- Lack of consequences for poor performance and transgressions: Management did not implement adequate procedures to monitor compliance on a regular basis in respect of procurement and conditional grants and enforce appropriate consequences when officials did not comply with the relevant laws and regulations.

No findings | Findings | Material findings

- Stagnant or little progress
- Regressed

Implemented | In progress | Not implemented | New

An external service provider will be appointed to assist with the internal audit function.
Current year audit outcomes:

- Central Karoo District Municipality (CKDM)
- Central Karoo Economic Development Agency (SOC) Pty (CKEDA) – established 12 December, 2012

Stagnation in audit outcome

The stagnation in the audit outcomes of the CKDM was caused by the lack of adequate oversight and effective action plans to timeously address non-compliance with laws and regulations, mainly in the area of procurement. The annual financial statements were again subject to various corrections to avoid a qualified opinion.

The municipality continued to rely on consultants to assist with the preparation of financial statements for audit at a cost of R714 325 in the current year (2012: R70 298).

Six key risk areas

Supply chain management remains a source of concern, primarily due to the extent of irregular expenditure incurred because of deviations from the prescribed procurement process.

The quality of the annual financial statements submitted for auditing was of such a nature that material adjustments had to be made to prevent a qualified opinion, mainly due to employee benefits disclosure notes.

With regard to CKDM’s financial health, there has been some improvement in cash flows, but technically it remains insolvent and unless additional sources of revenue are found, the unsatisfactory financial position will persist.

Weaknesses previously identified in the following IT focus area were still not adequately addressed:

- Human resource management is still under pressure due to financial constraints experienced by the municipality.

Key controls and root causes

The limited improvement in the key controls was due to a lack of effective oversight and action plans, failure to enforce adequate consequences when officials do not comply with the relevant laws and regulations, and limited budgetary resources to address non-compliance with laws and regulations, mainly in the area of procurement, as well as the quality of the annual financial statements.

The following role players should address the root causes of poor audit outcomes and inadequate controls as follows:

- Municipal council – by ensuring that effective action plans are implemented and monitored on a continuous basis to address shortcomings in the areas reported.
- Municipal manager – by holding officials accountable when they do not adhere to approved policies, standards and procedures, including action plans.
- Chief financial officer – by maintaining financial records and preparing and reviewing financial statements on a monthly basis, as well as ensuring compliance with supply chain management-related laws and regulations.

Impact of key role players on audit outcomes

For improved audit outcomes, the assurance levels of the above role players should be improved.

We were unable to meet with the mayor during the past financial year to discuss the status of the key controls. We interacted with the municipal manager and chief financial officer four times during the financial year. These interactions had limited impact on the audit outcomes. The reason for our assessment is the lack of impact they had on the controls, as well as the status and impact of previous commitments.

The municipal council did not adequately monitor the implementation of the previous year’s action plans, while the establishment of a municipal public accounts committee is still under consideration.
1.8 Beaufort West Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

### Population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14 years</td>
<td>40,486</td>
<td>43,290</td>
<td>40,989</td>
</tr>
<tr>
<td>15-64 years</td>
<td>51,605</td>
<td>54,962</td>
<td>55,604</td>
</tr>
<tr>
<td>65+ years</td>
<td>11,991</td>
<td>13,923</td>
<td>13,990</td>
</tr>
</tbody>
</table>

### Average household size

<table>
<thead>
<tr>
<th>Average household size</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Female</td>
<td>60%</td>
<td>61%</td>
<td>63%</td>
</tr>
<tr>
<td>Average household size</td>
<td>35%</td>
<td>33%</td>
<td>31%</td>
</tr>
</tbody>
</table>

### Average dwelling type

<table>
<thead>
<tr>
<th>Average dwelling type</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal dwelling</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Traditional dwelling</td>
<td>95%</td>
<td>96%</td>
<td>98%</td>
</tr>
<tr>
<td>Informal dwelling</td>
<td>1%</td>
<td>2%</td>
<td>4%</td>
</tr>
</tbody>
</table>

### Average household income

<table>
<thead>
<tr>
<th>Average household income</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic services</td>
<td>41,427</td>
<td>70,227</td>
</tr>
</tbody>
</table>

### Education

<table>
<thead>
<tr>
<th>Education</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>18%</td>
<td>12%</td>
<td>7%</td>
</tr>
<tr>
<td>GR12</td>
<td>24%</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>No schooling</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
</tbody>
</table>

### Labour

<table>
<thead>
<tr>
<th>Labour</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>75%</td>
<td>62%</td>
<td>75%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>25%</td>
<td>38%</td>
<td>25%</td>
</tr>
</tbody>
</table>

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

### Basic services

- **92%** of the households have access to electricity
  - 2011: 8%
  - 2001: 13%
  - 1996: 17%

- **97%** of the households have access to piped water
  - 2011: 1%
  - 2001: 1%
  - 1996: 1%

- **93%** of the households have access to toilet facilities
  - 2011: 4%
  - 2001: 7%
  - 1996: 7%
Stagnation in audit outcome

2012-13
Unqualified with findings

2011-12
Unqualified with findings

2010-11
Unqualified with findings

Drivers of key controls not improving

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Financial and performance management</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective leadership</td>
<td>Proper record keeping</td>
<td>Risk management</td>
</tr>
<tr>
<td>Oversight responsibility</td>
<td>Processing and reconciling controls</td>
<td>Internal audit</td>
</tr>
<tr>
<td>HR management</td>
<td>Reporting</td>
<td>Audit committee</td>
</tr>
<tr>
<td>Policies and procedures</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Action plans</td>
<td>IT system controls</td>
<td></td>
</tr>
<tr>
<td>IT governance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assurance levels should be improved/maintained

<table>
<thead>
<tr>
<th>Senior management</th>
<th>Provide some assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal manager</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Mayor</td>
<td>Provides no assurance</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Audit committee</td>
<td>Provides limited assurance</td>
</tr>
<tr>
<td>Municipal council</td>
<td>Provides limited assurance</td>
</tr>
<tr>
<td>MPAC</td>
<td>Not established</td>
</tr>
</tbody>
</table>

Progress made in addressing risk areas

<table>
<thead>
<tr>
<th>Supply chain management</th>
<th>Quality of performance reports</th>
<th>Human resource management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good</td>
<td>Concerning</td>
<td>Intervention required</td>
</tr>
</tbody>
</table>

Root causes to be addressed

Slow response to messages: The action plan to address the findings arising from the audit needs to address the root cause of the finding rather than the finding itself and be specific as to time frames.

Vacancies in key positions: Vacancies in critical posts in the municipality should be filled, especially that of municipal manager and CFO. The internal audit unit should be capacitated to identify internal control deficiencies and recommend corrective action effectively.

Status of key commitments by the mayor

The mayor committed to overseeing the process to address the prior year findings. The five findings not addressed were in the areas of information technology and compliance with laws and regulations. No new commitments have been received from the mayor as there will be a continued focus on the commitments in progress.
Stagnation in audit outcomes

The stagnation in the audit outcomes of the municipality was caused by the vacancy at chief financial officer level, resulting in failure to take timely action to address internal control deficiencies. Only 62% of the actions to address prior year audit findings were implemented.

Six key risk areas

Progress has been made in addressing a number of key risk areas. There was a decline in the number of findings in the area of supply chain management and financial health. The debt-collection period and the creditor-payment periods have been significantly decreased, which was the result of greater focus thereon, and consequently, better cash management.

Information technology (IT) controls have improved, mainly due to improvements to the system of obtaining and maintaining backups and the approval and tracking of changes to the accounting package used.

The quality of the annual financial statements has remained poor, with a number of errors being detected, both material and immaterial, that were corrected to obtain an unqualified opinion on the financial statements. The municipality again employed the services of consultants to prepare financial statements for audit at a cost of R624 584 (2012: R142 950).

The quality of the annual performance report requires immediate attention, which should focus on the measurability of the performance information, the consistency of collecting information and verification of the accuracy of data to address material findings on the usefulness and reliability of the performance report. As disclosed in its annual performance report, the municipality failed to achieve 46% (20% or more) of its planned performance targets for the year under review.

Key controls and root causes

The overall deterioration in key controls was caused by weaker controls in the area of performance reporting. The municipality should strengthen the following controls to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipal leadership should establish and fully document policies and procedures for IT governance and performance reporting purposes.
- Management should implement effective record management and monitor and review daily financial disciplines, and produce regular and accurate financial and performance reports, supported by reliable information.
- Internal audit should be capacitated to identify internal control deficiencies and follow up the implementation of their recommendations.

The mayor and the accounting officer should address the root causes of poor audit outcomes and inadequate controls as follows:

- Filling of critical vacancies.
- The action plan to address the findings arising from the audit should address the root cause of the finding rather than the finding itself and be specific as to time frames.

Impact of key role players on audit outcomes

For improved audit outcomes, assurance levels should be improved by ensuring stability at the level of accounting officer and senior management.

We met with the mayor once during the financial year but this interaction had no impact on the audit outcomes. The reason for our assessment is that findings reported in the prior year are repeated in the current year, while oversight at the municipality requires strengthening.

The acting municipal manager and senior management are committed to better audit outcomes, but are hampered by budgetary constraints.

The audit committee did not provide advice to the council, as required by the Municipal Finance Management Act, 2003 (MFMA).
1.9 Laingsburg Municipality

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Population

Education

Labour

Basic services

The statistics reflected above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

2012-13 Unqualified with findings
2011-12 Unqualified with findings
2010-11 Qualified with findings

Drivers of key controls not improving

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Financial and performance management</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective leadership</td>
<td>Proper record keeping</td>
<td>Risk management</td>
</tr>
<tr>
<td>Oversight responsibility</td>
<td>Processing and reconciling controls</td>
<td>Internal audit</td>
</tr>
<tr>
<td>HR management</td>
<td>Reporting</td>
<td>Audit committee</td>
</tr>
<tr>
<td>Policies and procedures</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Action plans</td>
<td>IT system controls</td>
<td></td>
</tr>
</tbody>
</table>

Good | Concerning | Intervention required

Assurance levels should be improved

<table>
<thead>
<tr>
<th>Senior management</th>
<th>Provides limited/no assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal manager</td>
<td>Provides limited/no assurance</td>
</tr>
<tr>
<td>Mayor</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Provides limited/no assurance</td>
</tr>
<tr>
<td>Audit committee</td>
<td>Provides limited/no assurance</td>
</tr>
<tr>
<td>Municipal council</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>MPAC</td>
<td>Not established</td>
</tr>
</tbody>
</table>

No progress made in addressing risk areas

Supply chain management | Quality of performance reports | Human resource management
Quality of submitted financial statements | Information technology controls | Financial health

Root causes to be addressed

Slow response to action plans: The action plans were not timeously addressed by management due to inadequate monitoring.
Lack of consequences: The leadership oversight did not enforce accountability for poor performance and non-compliance with the relevant laws and regulations.

Status of key commitments by the mayor

Establish a supply chain management unit and develop mechanisms to comply with laws and regulations.
Develop and monitor action plans to address findings.
Appoint qualified and experienced staff in key vacancies to implement controls on regular management and monitoring of financial and performance information.
Monitor internal controls to ensure effective planning and management of financial and performance information, which will result in accurate and complete financial and performance reporting, while holding officials accountable for not discharging their duties and responsibilities.
Stagnation in audit outcome

The municipality attracted repeat audit findings regarding reporting on predetermined objectives and compliance with laws and regulations.

The municipality’s annual performance report was not useful and reliable for reporting annual performance information. The indicators were not measurable and the reported performance indicators were not sufficiently supported with documentation.

The municipality had repeat findings on compliance with legislation pertaining to financial reporting, expenditure management and governance due to action plans not being adequately addressed in a timely manner.

Six key risk areas

There was limited improvement in the quality of the submitted financial statements due to the lack of regular and accurate preparation that would allow for regular review.

The annual performance report was submitted with misstatements which the municipality did not address.

The municipal supply chain management staff were appointed towards the latter part of the financial year and could not effectively address the concerns in the focus area during the reporting period.

The municipality did not address significant internal control deficiencies identified in the IT environment.

The financial health of the municipality has not improved due to late payment for services and the late settlement of municipal debts.

Key controls and root causes

There was some improvement in key controls relating to the filling of vacant positions during the year and the establishment and approval of supply chain management policies and procedures.

The following key controls required intervention to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Leadership should ensure that the implementation of action plans is reviewed and monitored to avoid repeat findings.
- The municipality must implement effective measures to improve the competencies demonstrated by management in the execution of their responsibilities.
- The leadership should establish measures to institute consequences for poor performance and non-compliance with laws and regulations.
- The leadership should implement an effective risk management strategy to ensure the mitigation of risks threatening achievement of the municipality’s objectives.

Impact of key role players on audit outcomes

Senior management and the accounting officer did not demonstrate effective oversight and monitoring to execute their legislative responsibilities to ensure accurate and complete financial and performance reporting, as well as compliance with the relevant laws and regulations.

The mayor provided some assurance in supporting the municipality to address staff shortages and the approval of policies.

The internal audit unit did not perform its functions as required by the legislative framework. The audit committee did not review the internal control environment. There was a lack of communication between the audit committee and the municipal council on matters relating to audit and controls at the municipality.

Although the objectives of the municipality were not achieved in relation to effective reporting and compliance with performance reporting requirements, the council provided some assurance in supporting the municipality to address staff shortages and the approval of policies. The municipal public accounts committee was not in place for the period under review.
1.10 Prince Albert Municipality

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Population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>12,941</td>
<td>15,012</td>
<td>13,708</td>
</tr>
<tr>
<td>Female</td>
<td>13,748</td>
<td>16,270</td>
<td>15,358</td>
</tr>
</tbody>
</table>

Age

<table>
<thead>
<tr>
<th>Age Group</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>7%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>15-64</td>
<td>57%</td>
<td>60%</td>
<td>64%</td>
</tr>
<tr>
<td>65+</td>
<td>36%</td>
<td>34%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Male/Female

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>2001</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2011</td>
<td>51%</td>
<td>49%</td>
</tr>
</tbody>
</table>

Basic services

- **Electricity**
  - 2011: 86%
  - 2001: 80%
  - 1996: 71%

- **Piped water**
  - 2011: 95%
  - 2001: 92%
  - 1996: 90%

- **Toilet facilities**
  - 2011: 82%
  - 2001: 80%
  - 1996: 33%
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

Drivers of key controls not improving

Assurance levels should be maintained

No progress made in addressing risk areas

Root causes to be addressed

Status of key commitments by the mayor

Supply chain management
Quality of performance reports
Human resource management
Information technology controls
Financial health

Leadership
Financial and performance management
Governance

Effective leadership
Proper record keeping
Risk management

Oversight responsibility
Processing and reconciling controls
Internal audit

HR management
Reporting
Audit committee

Policies and procedures
Compliance

Action plans
IT system controls

IT governance

Good
Concerning
Intervention required

Senior management
Provides limited/no assurance

Municipal manager
Provides some assurance

Mayor
Provides some assurance

Internal audit
Provides assurance

Audit committee
Provides assurance

Municipal council
Provides some assurance

MPAC
Provides some assurance

The current audit outcomes are the result of the attention given to the six key risk areas,

The drivers of the key controls and the root causes as well as

The level of assurance that was provided by the key role players and the progress made on their commitments.

No findings
Findings
Material findings

2012-13
Unqualified with findings

2011-12
Unqualified with findings

2010-11
Qualified with findings

20XX-XX
Unqualified with findings

20XX-XX
Unqualified with findings

20XX-XX
Adverse/disclaimed with findings

20XX-XX
Qualified with findings

Input: Alignment of key controls

Compliance

Proper record keeping

Monitoring

Oversight responsibility

Processing and reconciling controls

IT system controls

Risk management

Internal audit

Audit committee

Good
Concerning
Intervention required

Slow responses to actions: Lack of regular preparation of financial and performance information to facilitate regular review in order to reduce errors in the reporting process due to ineffective monitoring of the implementation of the action plan to address past audit findings and internal control deficiencies.

Key official lack competencies/skills: The ongoing reliance on consultants point to a lack of skills and competence to deal with financial reporting requirements.

Monitor internal controls to ensure effective planning and management of financial and performance information that will result in accurate and complete financial and performance reporting.

Internal audit unit established.

Monitor action plans to address audit findings.

Implemented
In progress
Not implemented
New

- Senior management
- Financial and performance management
- Governance
- Leadership
- Effective leadership
- Oversight responsibility
- HR management
- Policies and procedures
- Action plans
- IT governance
- Good
- Concerning
- Intervention required

- Municipal manager
- Provides some assurance
- Mayor
- Provides some assurance
- Internal audit
- Provides assurance
- Audit committee
- Provides assurance
- Municipal council
- Provides some assurance
- MPAC
- Provides some assurance

- Supply chain management
- Quality of performance reports
- Human resource management
- Information technology controls
- Financial health
- No findings
- Findings
- Material findings

- Slow responses to actions: Lack of regular preparation of financial and performance information to facilitate regular review in order to reduce errors in the reporting process due to ineffective monitoring of the implementation of the action plan to address past audit findings and internal control deficiencies.

- Key official lack competencies/skills: The ongoing reliance on consultants point to a lack of skills and competence to deal with financial reporting requirements.

- Monitor internal controls to ensure effective planning and management of financial and performance information that will result in accurate and complete financial and performance reporting.

- Internal audit unit established.
- Monitor action plans to address audit findings.

- Implemented
- In progress
- Not implemented
- New
Current year audit outcomes: Unqualified with findings.

Stagnation in audit outcome

There has been no movement in the audit outcomes of the municipality, although fewer findings were raised on material non-compliance with laws and regulations compared to the prior year. For the 2012-13 financial year, these findings related to procurement and contract management and expenditure management.

Key risk areas

There was very limited impact on key risk areas addressed by the municipality. Supply chain management compliance remained a challenge and the municipality was unable to prevent irregular expenditure. The quality of the financial statements remained unchanged due to a lack of regular, accurate preparation of financial information and adequate review of the financial statements submitted for auditing.

The municipality did not establish an IT governance framework to support the effective delivery of IT services. Furthermore, significant internal control deficiencies were identified in the IT environment. The financial health of the municipality regressed during the period due to late or non-payment of services and late settlement of municipal debt.

Key controls and root causes

Leadership and financial and performance management’s key controls did not show improvement. This was due to lack of effective and timely implementation of the action plans.

Governance showed improvement thanks to appointments made in the areas of internal audit and audit committee.

The following key controls require intervention to create a control environment that supports reliable financial reporting and compliance with legislation:

- Develop and monitor the implementation of action plans to address internal control deficiencies on a regular basis and report on the progress made to all levels of assurance providers.
- Establish an IT governance framework that supports and enables the municipality, delivers value and improves performance.
- Prepare regular (monthly and quarterly), accurate and complete financial statements, supported by reliable supporting documentation, to reduce material misstatements in the financial statements.
- Management should implement appropriate internal controls to ensure effective monitoring of compliance with legislation governing supply chain management, in particular.
- Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.
- The leadership should implement an effective risk management strategy to ensure the mitigation of risks threatening the achievement of the municipality’s objectives.

Impact of key role players on audit outcomes

Interactions with the mayor and accounting officer during the year under review had limited impact on the audit outcomes due to resource constraints.

The levels of assurance provided by internal audit and the audit committee, as well as the municipal council, contributed positively to the general control environment of the municipality. Given the time when the municipal public accounts committee was established, its impact could not be reliably assessed.
1.11 City of Cape Town Metro (and its entity)

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

Improvement in audit outcome

Unqualified with no findings
Unqualified with findings
Qualified with findings

Drivers of key controls improving

Leadership
Effective leadership
Oversight responsibility
HR management
Policies and procedures
Action plans
IT governance

Financial and performance management
Proper record keeping
Processing and reconciling controls
Reporting
Compliance
IT system controls

Governance
Risk management
Internal audit
Audit committee

Root causes to be addressed
No significant deficiencies relevant to the audit of the financial statements, performance report and compliance with laws and regulations.

Assurance levels should be maintained

Senior management
Municipal manager/CEO
Mayor
Internal audit
Audit committee
Municipal council/Board
MPAC

Status of key commitments by the mayor

Ongoing monitoring and oversight of implementation of action plan to address past audit findings and identified internal control deficiencies with a focus on supply chain management and predetermined objectives.

Progress made in addressing risk areas

Root causes to be addressed
No significant deficiencies relevant to the audit of the financial statements, performance report and compliance with laws and regulations.

Status of key commitments by the mayor

Ongoing monitoring and oversight to ensure that clean audit outcomes are sustained with a continued focus on predetermined objectives and supply chain management.

The current audit outcomes are the result of the attention given to the six key risk areas.

The level of assurance provided by the key role players and the progress made on their commitments.

The drivers of the key controls and the root causes as well as

Status of key commitments by the mayor

Ongoing monitoring and oversight to ensure that clean audit outcomes are sustained with a continued focus on predetermined objectives and supply chain management.

The current audit outcomes are the result of the attention given to the six key risk areas.

The level of assurance provided by the key role players and the progress made on their commitments.

The drivers of the key controls and the root causes as well as

Status of key commitments by the mayor

Ongoing monitoring and oversight to ensure that clean audit outcomes are sustained with a continued focus on predetermined objectives and supply chain management.
Current year audit outcomes:

- **City of Cape Town (City)**
- **Cape Town International Convention Centre (CTICC)**

(The 24 Central Improvement District entities, as well as the Cape Town Design NPC, which are also consolidated with the City and CTICC are excluded from this analysis as they are not municipal entities as defined by the MFMA and are therefore not audited by the AGSA.)

**Significant movement in audit outcomes**

The improvement in the audit outcome was due to the City addressing internal control deficiencies relating to prior year non-compliance findings on the quality of the financial statements, irregular expenditure, supply chain management and related human resource management.

The improvement in the audit outcome of the CTICC was due to management addressing the internal control deficiencies relating to prior year findings on the reliability of performance information and non-compliance relating to human resource management.

**Six key risk areas**

The overall status of the six key risk areas indicates that the City and CTICC are generally well managed. Progress has been made in addressing key risk areas, most notably in the area of supply chain management, the quality of the financial statements and human resource management.

The City has also made progress in addressing the IT control deficiencies reported in the previous review by the AGSA. There are some concerns regarding new matters relating to the formalisation of SAP security policies and implementation of the secure file transfer protocol server, which the City has started to address.

**Key controls and root causes**

There has been an overall improvement in the key controls of the City and the CTICC.

The challenge will be for the City and CTICC to continue monitoring the implementation of action plans to ensure that internal control measures to sustain clean administration are institutionalised.

**Impact of key role players on audit outcomes**

We assessed the level of assurance provided by the role players based on the status of internal controls of the City and the CTICC and the impact of the different role players on these controls.

The level of assurance provided by the municipal council was assessed on the basis of our interaction with the mayor and city manager, attendance at MPAC meetings, and inspection and review of council minutes, as there is no direct interaction with the municipal council.

Our assessment is that the assurance levels should be maintained by all key role players.

We met with the mayor three times and with the chief executive officer of the entity once during the financial year and these interactions had a significant impact on the audit outcomes.
1.12 Eden District Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

Population

<table>
<thead>
<tr>
<th>Age</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
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<tbody>
<tr>
<td>0-14</td>
<td>31%</td>
<td>28%</td>
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<tr>
<td>15-64</td>
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<tr>
<td>65+</td>
<td>6%</td>
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<td>8%</td>
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Population status

<table>
<thead>
<tr>
<th>1996</th>
<th>2001</th>
<th>2011</th>
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<tbody>
<tr>
<td>Male</td>
<td>51%</td>
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<tr>
<td>Female</td>
<td>49%</td>
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Education

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<tr>
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Labour

<table>
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<tr>
<th>1996</th>
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Basic services

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

2012-13
Unqualified with findings

2011-12
Unqualified with findings

Status of key commitments by the mayor

Monitor status of key controls and actions to address previous years findings.

Slow response to action plans: The integrity of the underlying information supporting the financial statements and report on predetermined objectives was not effectively reviewed in a timely manner.

Key officials lacking competencies/skills or vacancies in key positions in the finance unit, resulted in lack of effective transfer of skill and reduced reliance on consultants.

Lack of consequences: Control measures put in place to achieve compliance with supply chain processes were not always enforced and adhered to by officials, resulting in non-compliance with the supply chain management regulations.

1. Implement turnaround strategy to improve financial sustainability.
2. Monitor status of key controls and actions to address previous years findings.
3. Implement asset register controls and reconcile property records to reduce audit findings.

Progress made in addressing risk areas

Supply chain management
Quality of performance reports
Human resource management
Quality of submitted financial statements
Information technology controls
Financial health

No findings  Findings  Material findings

Drivers of key controls improving/ not improving

Leadership
Effective leadership
Over sight responsibility
HR management
Policies and procedures
Action plans
IT governance

Financial and performance management
Proper record keeping
Processing and reconciling controls
Reporting
Compliance
IT system controls

Governance
Risk management
Internal audit
Audit committee

Root causes to be addressed

Proper Asset register controls and reconcile property records to reduce audit findings.

In progress

Status of key commitments by the mayor

Senior management
Provides limited assurance

Municipal manager
Provides some assurance

Mayor
Provides limited assurance

Internal audit
Provides some assurance

Audit committee
Provides some assurance

Municipal council
Provides some assurance

MPAC
Provides some assurance

The drivers of the key controls and the root causes as well as the level of assurance that was provided by the key role players and the progress made on their commitments.

The current audit outcomes are the result of the attention given to the six key risk areas:

Supply chain management
Quality of performance reports
Human resource management
Quality of submitted financial statements
Information technology controls
Financial health

The level of assurance that was provided by the key role players and the progress made on their commitments.

Assurance levels should be improved/ maintained

Senior management
Provides limited assurance

Municipal manager
Provides some assurance

Mayor
Provides limited assurance

Internal audit
Provides some assurance

Audit committee
Provides some assurance

Municipal council
Provides some assurance

MPAC
Provides some assurance

Root causes to be addressed

Key officials lacking competencies/skills or vacancies in key positions in the finance unit, resulted in lack of effective transfer of skill and reduced reliance on consultants.

Lack of consequences: Control measures put in place to achieve compliance with supply chain processes were not always enforced and adhered to by officials, resulting in non-compliance with the supply chain management regulations.

Implemented
In progress
Not implemented
New

Municipality
Provides some assurance

Status of key commitments by the mayor

Implement turnaround strategy to improve financial sustainability.

The level of assurance that was provided by the key role players and the progress made on their commitments.

Status of key commitments by the mayor

Monitor status of key controls and actions to address previous years findings.

Implement asset register controls and reconcile property records to reduce audit findings.

Root causes to be addressed

Slow response to action plans: The integrity of the underlying information supporting the financial statements and report on predetermined objectives was not effectively reviewed in a timely manner.

Lack of consequences: Control measures put in place to achieve compliance with supply chain processes were not always enforced and adhered to by officials, resulting in non-compliance with the supply chain management regulations.
Current year audit outcomes: ■ Unqualified with findings

Stagnation in audit outcome

The lack of improvement in audit outcomes was due to the municipality’s failure to effectively and timeously address the previous audit findings on reliability of performance information. The municipality also failed to implement effective controls to manage and verify properties in the asset register and to monitor controls put in place to prevent irregular expenditure, resulting in material non-compliance findings in these focus areas. The municipality continued to rely on consultants to assist with the preparation of financial statements for audit due to key vacancies in the finance department.

Six key risk areas

While some progress has been made in addressing areas of concern in supply chain management, IT controls and financial health, the municipality should continue to focus on reducing the prevalence of irregular expenditure by monitoring compliance with its supply chain management policy and focusing on controls designed to prevent non-compliance.

The quality of the annual performance report has not improved. The municipality should focus on the reliability of performance information and implement policies to ensure an understanding of the reporting process and requirements for evidence across all directorates to address material findings on the usefulness and reliability of its performance report.

The status of quality of the financial statements is of concern, especially around the management of properties. While the municipality has put measures in place to control movable assets, it has not managed to effectively verify the values and nature of immovable property, which resulted in material misstatements that required correction during the audit.

Key controls and root causes

The overall deterioration in key controls was due to the municipality’s failure to improve leadership controls and respond to risks of financial management controls in a timely manner because of key vacancies in the finance department. Controls designed to prevent non-compliance with supply chain management policies were not effective as the implementation thereof was not monitored.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Exercise oversight of financial and performance management by the municipality and its entity.
- Implement effective human resource management to ensure that adequate and sufficiently skilled officials are in place whose performance is being monitored.
- The municipality should on a monthly basis prepare and review a full set of financial statements that is supported by credible information.

The mayor and municipal manager should address the root causes of poor audit outcomes and inadequate controls as follows:

- Monitor the status of key controls and actions to address the previous year’s findings in a timely manner.
- Implement asset register controls to ensure that information on all properties remains updated and relevant in order to reduce audit findings.
- Implement policies and processes to ensure that reported performance is accurate and relevant.

Impact of key role players on audit outcomes

For improved audit outcomes, assurance levels should be improved to ensure that key vacant posts are filled to effectively support the monitoring and verification of financial and performance reports. The implementation of the audit committee and internal audit recommendations should be monitored.

We met with the mayor once during the financial year, but this interaction had minimal to no impact on the audit outcomes. The reason for our assessment is the lack of impact that the mayor had on the controls of the auditees as well as the status and impact of the prior year commitments.
1.13 Bitou Municipality

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome
Root causes to be addressed
Drivers of key controls improving
Progress made in addressing risk areas

- Supply chain management
- Quality of performance reports
- Human resource management
- Information technology controls
- Financial health

Status of key commitments by the mayor

- Fill key vacancies to ensure that actions to address audit findings can be implemented.
- Monitor the implementation of actions to address deficiencies in key controls and previous audit findings.

Assurance levels should be improved

- Senior management: Provides some assurance
- Municipal manager: Provides some assurance
- Mayor: Provides some assurance
- Internal audit: Provides some assurance
- Audit committee: Provides some assurance
- Municipal council: Provides some assurance
- MPAC: Provides some assurance

- Leadership
- Financial and performance management
- Governance

- Effective leadership
- Oversight responsibility
- HR management
- Policies and procedures
- Action plans
- IT governance

- Proper record keeping
- Processing and recording controls
- Reporting
- Compliance
- IT system controls

- Risk management
- Internal audit
- Audit committee

- Good
- Concerning
- Intervention required

- 2011-12
  - Unqualified with findings
- 2010-11
  - Unqualified with findings

- Leadership: Provides some assurance
- Financial and performance management: Provides some assurance
- Governance: Provides some assurance

- Good
- Concerning
- Intervention required

- Slow response: Documented policies and procedures to guide the operations and reporting responsibilities of the municipality were not in place.
- A performance management process to improve accountability and institutionalise controls was not in place for a major part of the period.

- Lack of consequences: Designate responsibility for recording processes undertaken to facilitate sound monitoring of performance in terms of contract management.

- 2011-12
  - Unqualified with findings
- 2010-11
  - Unqualified with findings

- 2010-11
  - Unqualified with no findings
Current year audit outcomes: ■ Unqualified with findings

Stagnation in audit outcome

The reasons for the lack of improvement in the audit outcomes are outlined in the key controls section below.

The municipality continued to rely on consultants to assist with the preparation of financial statements for audit at a cost of R3 958 450 in the current year due to a lack of skills and competency as well as vacancies within the municipality.

Six key risk areas

While material findings were raised in relation to non-compliance with laws and regulations and the credibility of performance information, some progress has been made in addressing the key risk areas, most notably in the areas of IT controls, human resource management and performance reporting.

This year the municipality was able to submit their performance report for auditing because the council implemented a performance management process. The municipality should focus on implementing systems to continually verify the integrity of reported performance to address material findings on the reliability of its performance report.

The financial health of the municipality has improved due to council closely monitoring its financial turnaround strategy and applying corrective measures through its regular monitoring processes.

The status of supply chain management remains a concern, primarily because the municipality in many instances did not meet legislative requirements when procuring goods and services through a competitive bidding process.

Key controls and root causes

While the overall improvement in the key controls is attributed to leadership honouring their commitment to fill key vacancies and to implement a performance management system and processes to improve and monitor compliance requirements, this did not prevent material audit findings as a number of these interventions only took place towards the end of the financial year, with key vacancies only filled towards year-end.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipality should prepare and review a full set of financial statements quarterly.

The mayor and municipal manager should address the root causes of poor audit outcomes and inadequate controls as follows:

- Designate responsibility for recording processes undertaken to facilitate sound monitoring of performance in terms of contract management.
- Ensure that documented policies and procedures to guide the operations and reporting responsibilities of the municipality are in place and that employees’ performance against these policies is monitored.
- Improve the performance management process to enhance accountability and institutionalise controls.

Impact of key role players on audit outcomes

For improved audit outcomes, assurance levels should be improved by ensuring stability at the level of accounting officer and senior management; by implementing the recommendations of internal audit, and by directing the work of the audit committee towards evaluating performance information.

We met with the mayor twice during the financial year and these interactions had a significant impact on the audit outcomes. The reason for our assessment is the impact that the mayor had on the controls of the auditees as well as the status and impact of previous commitments. The previous commitments made have not all been achieved and therefore management will continue to implement actions to address the remaining concerns in an effort to achieve an improved audit outcome.
1.14 George Municipality

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

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The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

91% of the households have access to electricity

91% of the households have access to piped water

89% of the households have access to toilet facilities

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
### General report on the audit outcomes of the Western Cape Local Government for 2012-13

<table>
<thead>
<tr>
<th>Year</th>
<th>Audit Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>Unqualified with no findings</td>
</tr>
<tr>
<td>2011-12</td>
<td>Unqualified with no findings</td>
</tr>
<tr>
<td>2010-12</td>
<td>Unqualified with findings</td>
</tr>
</tbody>
</table>

#### Improvement in audit outcome

- **Drivers of key controls improving/ not improving**
  - Leadership
  - Financial and performance management
  - Governance
  - Effective leadership
  - Oversight responsibility
  - HR management
  - Policies and procedures
  - Action plans
  - IT governance
  - Proper record keeping
  - Processing and reconciling controls
  - Reporting
  - Compliance
  - IT system controls

- **Assurance levels should be improved/ maintained**
  - Senior management
  - Provides some assurance
  - Municipal manager
  - Provides some assurance
  - Mayor
  - Provides assurance
  - Internal audit
  - Provides assurance
  - Audit committee
  - Provides assurance
  - Municipal council
  - Provides assurance
  - MPAC
  - Provides some assurance

#### Progress/ no progress made in addressing risk areas

- Supply chain management
- Quality of performance reports
- Human resource management
- Quality of submitted financial statements
- Information technology controls
- Financial health

#### Root causes to be addressed

- Lack of consequences: Control measures put in place to achieve compliance with supply chain processes were not always adhered to by officials, resulting in non-compliance with the supply chain management regulations and findings relating to the accuracy of reported performance.

#### Status of key commitments by the mayor

- Monitor the implementation of actions to address audit findings.
- Preparation of monthly GRAP-compliant financial statements to improve the quality of financial statements.
Current year audit outcomes:

- **Unqualified with no findings**

**Sustained clean audit outcome**

George Municipality retained its clean status. The audit outcome was due to the leadership’s continuing commitment to monitor its processes by implementing key controls and addressing control deficiencies identified during previous audits.

**Six key risk areas**

Progress has been made in addressing the key risk areas, most notably in the areas of IT controls, the quality of the submitted financial statements and continued improvement to the system of reporting and monitoring of key performance objectives. While compliance monitoring in the area of supply chain management has improved, we have raised concerns around the weakness in supply chain management controls due to a lack of consequences for transgressions. Although not material, we have raised concerns over the controls supporting the accuracy of reported performance. Controls in this area should be continually evaluated and the effectiveness thereof monitored by the appropriate governance structures.

With regard to financial health, both the debt collection period and provision for impairment of debtors appear to be high. Management should continue to explore methods to improve the recoverability of accounts receivable to ensure that the municipality remains in a good cash flow position.

The solvency and liquidity position of the municipality reflects the positive manner in which it manages its assets and liabilities. The municipality should, however, implement measures to reduce the impairment of its loans receivable and intensify its attempts to recover outstanding amounts.

**Key controls and root causes**

The overall improvement was due to leadership’s commitment to continually monitor the six key risk areas and respond to identified risks on an ongoing basis.

The following controls should be maintained to sustain a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipality should continue exercising oversight of financial and performance management.
- The municipality should prepare and review a full set of financial statements on a monthly basis.

The mayor and municipal manager should address the following root cause:

- Enforce appropriate consequences when officials responsible for performance reporting do not comply with laws and regulations governing supply chain management.

**Impact of key role players on audit outcomes**

For sustained audit outcomes, assurance levels should be improved by ensuring stability at the level of accounting officer and senior management, by implementing the recommendations of internal audit and by directing the work of the audit committee towards evaluating performance information.

We met with the mayor four times during the financial year and these interactions had a significant impact on the audit outcomes. The reason for our assessment is the impact that the mayor had on the controls of the auditee as well as the status and impact of the prior year commitments.

The municipal council undertook to fully implement the previous year’s commitments which were to maintain the status of the audit outcomes and to monitor the implementation of actions of management to address risk areas affecting the audit outcome.
1.15 Hessequa municipality

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Population

<table>
<thead>
<tr>
<th>Age</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>8%</td>
<td>9%</td>
<td>11%</td>
</tr>
<tr>
<td>15-64</td>
<td>61%</td>
<td>64%</td>
<td>65%</td>
</tr>
<tr>
<td>65+</td>
<td>31%</td>
<td>27%</td>
<td>24%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Male/Female</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>51%</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td>Female</td>
<td>49%</td>
<td>48%</td>
<td>48%</td>
</tr>
</tbody>
</table>

Households

<table>
<thead>
<tr>
<th>Average household size</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the households have access to electricity</td>
<td>95%</td>
<td>95%</td>
<td>95%</td>
</tr>
<tr>
<td>of the households have access to piped water</td>
<td>95%</td>
<td>91%</td>
<td>91%</td>
</tr>
<tr>
<td>of the households have access to toilet facilities</td>
<td>91%</td>
<td>91%</td>
<td>91%</td>
</tr>
</tbody>
</table>

Education

<table>
<thead>
<tr>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>GR12</td>
<td>10%</td>
<td>9%</td>
</tr>
<tr>
<td>No schooling</td>
<td>24%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Labour

<table>
<thead>
<tr>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed</td>
<td>90%</td>
<td>86%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>10%</td>
<td>14%</td>
</tr>
</tbody>
</table>

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

Drivers of key controls improving

Assurance levels should be maintained

Progress made in addressing risk areas

Root causes to be addressed

Status of key commitments by the mayor

Supply chain management

Quality of performance reports

Human resource management

Financial health

Quality of submitted financial statements

Information technology controls

Financial and performance management

Governance

Effective leadership

Oversight responsibility

Internal audit

Proper record keeping

Processing and reconciling controls

Audit committee

Policies and procedures

Compliance

IT system controls

Action plans

Assurance levels should be maintained

Implemented

In progress

Not implemented

New

Leadership

Proper record keeping

Risk management

Municipal manager

Provides some assurance

Mayor

Provides assurance

Internal audit

Provides some assurance

Audit committee

Provides assurance

Municipal council

Provides assurance

MPAC

Provides assurance

Status of key commitments by the mayor

Financial and performance management

The municipality has committed to implementing the audit recommendations to improve processes relating to the effective review of the financial statements and the annual performance report in a timely manner prior to the submission thereof for audit.

Slow response to AGSA message:

With the assistance of internal audit, more robust and timelier review processes should be implemented for the financial statements and the annual performance report, ensuring the completeness and accuracy of amounts, disclosures and supporting data before submission for audit.

Good

Concerning

Intervention required

No findings

Findings

Material findings

The current audit outcomes are the result of the attention given to the six key risk areas, and the drivers of the key controls as well as the level of assurance that was provided by the key role players and the progress made on their commitments.

Status of key commitments by the mayor
Current year audit outcomes: **Unqualified with findings**

**Stagnation in audit outcome**

The lack of improvement in the audit outcomes was due to the municipality’s failure to implement effective review procedures to ensure the reliability of certain amounts and disclosures in the financial statements.

As in the prior year, the municipality made limited use of consultants to assist with the review of complex and technical disclosures to the financial statements at a cost of R213 191.

**Six key risk areas**

The municipality has made some progress in addressing the key risk areas, most notably the areas of supply chain management, human resources management and financial health. The municipality reduced the number of non-compliance findings compared to the previous audit findings through the improved review of compliance with supply chain management regulations.

The action plan for the review of the financial statements and the annual performance report was not adequately implemented, resulting in insufficient review by management and failure to detect material misstatements in the financial statements and the annual performance report prior to submission for audit. The municipality should implement more robust and timelier review processes for the financial statements and annual performance report, ensuring the completeness and accuracy of amounts, disclosures and supporting data before submission for audit.

Limited progress was made in addressing the prior year IT audit findings. The municipality should prioritise the implementation of corrective action to address the prior year audit findings in order to improve the IT control environment.

**Key controls and root causes**

The overall improvement in the key controls is attributed to leadership taking ownership of addressing prior year audit findings and identified internal control deficiencies.

For the municipality to progress to a clean audit outcome, the following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipality should monitor the implementation of action plans to address internal control deficiencies in respect of material misstatements identified in the financial statements and the annual performance report.
- The municipality should prepare regular, accurate and complete financial statements that are supported and evidenced by reliable information. The final review of the financial statements should be performed in a timely manner by individuals with the relevant expertise and experience of the GRAP reporting framework.
- The municipality should maintain proper and complete records to ensure that reported performance is supported by complete, relevant and accurate information. A more extensive review by internal audit will assist the municipality in detecting misstatements prior to the submission of the annual performance report for audit.

The mayor and municipal manager should address the root causes of poor audit outcomes and inadequate controls as follows:

- Ensure that adequate support is provided to the chief financial officer during the preparation and finalisation of financial statements. The roles and responsibilities for the preparation and review of material disclosures and amounts should be clearly defined to improve the quality of the financial statements for audit.
- Ensure adequate internal audit coverage for the testing of the reliability of reported performance.

**Impact of key role players on audit outcomes**

For improved audit outcomes, senior management should improve assurance levels for the review of the financial and performance reports by implementing the recommendations of internal audit and directing the work of the audit committee towards evaluating performance and financial information.

We did not meet with the mayor during the financial year. The mayor and municipal manager are, however, actively involved in the audit process, taking ownership of and responsibility for all matters raised by audit requiring attention. This has set the correct “tone at the top” at the municipality in terms of audit readiness and the assistance provided during throughout the audit.
1.16 Kannaland Municipality

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

Drivers of key controls not improving

Assurance levels should be improved

Status of key commitments by the mayor

No progress made in addressing risk areas

Root causes to be addressed

Supply chain management
Quality of performance reports
Human resource management
Quality of submitted financial statements
Information technology controls
Financial health

Leadership
Financial and performance management
Governance

Effective leadership
Oversight responsibility
Human resource management
Policies and procedures
Action plans
IT governance

Proper record keeping
Processing and reconciling controls
Reporting
Compliance
IT system controls

Risk management
Internal audit
Audit committee

Good
Concerning
Intervention required

Senior management
Provides some assurance
Municipal manager
Provides some assurance
Mayor
Provides limited/no assurance
Internal audit
Provides some assurance
Audit committee
Provides some assurance
Municipal council
Provides limited/no assurance
MPAC
Provides limited/no assurance

Due to the short period between the late submission of financial statements for the 2011-12 financial year and the completion of the 2011-12 audit, no tangible commitments could be made and/or implemented.

Committed to submit the annual financial statements by 31 August 2013. This was achieved but the municipality failed to submit financial statements that were free from material misstatements and/or omissions.

Awaiting action plan following the 2012-13 audit.

Slow response to action plans: Management did not put adequate processes in place in a timely manner to ensure credible financial statements, compliance with laws and regulations and proper retention of supporting evidence for daily transactions.

Key officials lack skills: Management did not have adequate documented policies and procedures to guide staff on the operations of the municipality and the staff lack the required skills to implement basic financial disciplines.

Lack of consequences: Leadership did not enforce appropriate consequences when officials failed to meet their job requirements and comply with the relevant laws and regulations.

Due to the short period between the late submission of financial statements for the 2011-12 financial year and the completion of the 2011-12 audit, no tangible commitments could be made and/or implemented.

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Lack of consequences: Leadership did not enforce appropriate consequences when officials failed to meet their job requirements and comply with the relevant laws and regulations.

Due to the short period between the late submission of financial statements for the 2011-12 financial year and the completion of the 2011-12 audit, no tangible commitments could be made and/or implemented.

Committed to submit the annual financial statements by 31 August 2013. This was achieved but the municipality failed to submit financial statements that were free from material misstatements and/or omissions.

Awaiting action plan following the 2012-13 audit.
**Current year audit outcomes:** ■ *Adverse*

**Stagnation in audit outcome**

The audit outcome for Kannaland Municipality remains unchanged compared to the prior year. This was due to the fact that the municipality did not have sufficient time to respond to prior year findings as the audit report was only signed off in September 2013 because of late submission of the financial statements by the municipality in the prior year. Although the municipality managed to submit annual financial statements by 31 August during this audit cycle, it was not adequately reviewed by management, the council or the audit committee to prevent pervasive material misstatements. Although information regarding predetermined objectives was submitted for audit this year, significant findings relating to the usefulness and reliability of the information were raised.

The municipality continued to rely on consultants to assist with the preparation of financial statements for audit at a cost that cannot be ascertained due to misstatements in the financial statements.

**Six key risk areas**

Significant concerns were raised in each of the six key risk areas, most notably in the areas of supply chain management, IT controls, human resource management, financial health and the quality of the submitted financial statements. There is a concern at the municipality about funding to implement interventions to improve these key risk areas, as well as in the area of asset management. However, the municipality has not made a consistent effort to implement and/or improve interventions that are not dependent on funding, which would also have had a positive effect on audit outcomes. The quality of financial statements remains a concern due to lack of review and over-dependence on consultants. Our concerns relating to the continued assistance sought from consultants include the over-dependency on consultants as a result of unfilled vacancies and the lack of transfer of skills, which is exasperated by skills shortages.

The quality of the annual performance report has improved, but requires increased focus on the measurability and consistency of the performance information to address material findings on the usefulness of the performance report.

The municipality disclosed that a material uncertainty existed with regard to its ability to operate in the foreseeable future (i.e. as a going concern). There is a concern that proposed three-year plan to recover from this position is not adequately monitored. The municipality is presently in discussion with the provincial treasury and other spheres of government to improve this situation.

The status of supply chain management remains unsatisfactory, primarily because of the municipality’s failure to comply with the legislative requirement to obtain three quotations or to procure goods and services through a competitive bidding process. An amount of R3 513 403 in irregular expenditure was identified during the audit, which management failed to detect due to insufficient internal controls.

An IT governance framework has not been adopted, resulting in control weaknesses ranging across the IT control environment, including facility and environmental controls, user access controls, security management and IT continuity.

**Key controls and root causes**

The overall stagnation in key controls was due to the municipality’s failure to institutionalise policies and procedures. Furthermore, staff lack adequate skills to implement basic financial disciplines which would have avoided the current pervasive nature of misstatements. Furthermore, a lack of funding has meant that certain action plans to recover from the current situation have not materialised.

The following controls must be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Leadership should exercise sufficient oversight of all disciplines relating to financial and performance management and underlying processes.
- Adequate policies and procedures and a detailed action plan must be developed and implemented to address the numerous control and compliance deficiencies raised.
- Daily and monthly controls and reviews must be established and institutionalised across all disciplines.
- Leadership should obtain support from the provincial treasury.

Leadership and management, with the assistance of the audit committee in an oversight role, should address the root causes of poor audit outcomes and inadequate controls as follows:

- Creation of action plans that are detailed enough for implementation by staff on a daily basis.
- Monthly monitoring of action plans by council and audit committee.
Consequence management for non-adherence to the action plans.

Impact of key role players on audit outcomes

The assurance levels provided by the various role players of the municipality should be improved and shortcomings in the above-mentioned key controls should be addressed by the accounting officer in consultation with senior management.

For improved audit outcomes, assurance levels should be improved at all levels, but especially at mayoral and council level.

We did not meet with the mayor during the financial year. Audit outcomes did not improve due to a lack of commitment. The reason for our assessment is the lack of impact that the mayor had on the controls of the municipality.

The accounting officer undertook to develop a detailed action plan that will be monitored on a monthly basis to improve audit outcomes.
1.17 Knysna municipality

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Improvement in audit outcome

2012-13 Unqualified with no findings

2011-12 Unqualified with findings

2010-11 Unqualified with findings

Drivers of key controls improving

Leadership
- Effective leadership
- Oversight responsibility

Financial and performance management
- Proper record keeping
- Processing and reconciling controls

Governance
- Risk management
- Internal audit

HR management
- Reporting

Policies and procedures
- Compliance
- IT system controls

Action plans
- IT governance

Assurance levels should be maintained

Senior management Provides assurance
Municipal manager Provides assurance
Mayor Provides assurance
Internal audit Provides assurance
Audit committee Provides assurance
Municipal council Provides assurance
MPAC Provides some assurance

Progress made in addressing risk areas

Supply chain management
Quality of performance reports
Human resource management
Quality of submitted financial statements
Information technology controls
Financial health

Root causes to be addressed

Slow response to action plans: Leadership must fully implement monitoring controls established with regard to the reliability of financial and performance information and compliance with laws and regulations and ensure the effective monitoring of action plans.

Management must ensure the operating effectiveness of key controls established with regard to processing and reconciling of transactions, accuracy of financial statements, presentation of performance information and compliance with laws and regulations.

Management must establish processes to ensure that user access and the activities of system administrators are reviewed.

Status of key commitments by the mayor

All commitments relating to the financial statements, performance information and procurement and contract management have been implemented.

Commitments to improve IT controls, financial controls and compliance with laws and regulations are in the process of being implemented.

Management committed to institutionalise controls to ensure that audit outcomes are predictable.
Current year audit outcomes:

- Knysna Municipality:
- Amaraka Investments No. 64 (SOC) Limited (trading as Knysna Economic Development Agency) (KEDA)

The council of the Knysna Municipality took a decision on 22 June 2012 to wind up KEDA. The council is in the process of deregistering the entity. Consequently, the entity was not operational during the year under review and audit outcomes are therefore not presented as part of the municipality portfolio.

Significant movement in audit outcome

The improvement was as a result of focused and impactful commitments made by management to improve the audit outcomes. Although consultants were again engaged to assist with financial reporting, these consultants were only utilised for a technical review function on the financial statements.

Six key risk areas

The municipality achieved improved results in respect of supply chain management and the quality of the submitted financial statements and performance report. Good results were maintained in respect of human resource management and financial health. Actions to improve IT controls are still in progress.

KEDA disclosed that it is no longer a going concern as the council of the Knysna Municipality had decided on 22 June 2012 to wind up the entity’s operations.

Key controls and root causes

The overall improvement in key controls was due to improved leadership and management controls to address the root causes of prior year findings.

The following controls should be strengthened to maintain a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Monitoring of controls over financial and human resource activities and the presentation of performance information.
- Effective monitoring of the action plan developed to address internal and external audit findings.
- Operating effectiveness of daily and monthly controls, as well as IT controls.

The municipal manager and senior management should address the remaining root causes as follows:

- Leadership should fully implement monitoring controls established with regard to the reliability of financial and performance information and compliance with laws and regulations and ensure the effective monitoring of action plans.
- Management should ensure the operating effectiveness of key controls established with regard to processing and reconciling of transactions, accuracy of financial statements, presentation of performance information and compliance with laws and regulations.
- Management should establish processes to ensure that user access and the activities of system administrators are reviewed.

Impact of key role players on audit outcomes

For continued positive audit outcomes the assurance levels should be maintained by the municipal manager and senior management.

We met with the mayor four times during the financial year and these interactions had a significant impact on the audit outcomes. The reason for our assessment is the impact that the mayor had on the controls of the auditee as well as the status and impact of the commitments previously given.

The municipal public accounts committee undertook to monitor the implementation of the previous year’s commitments.
1.18 Mossel Bay Municipality

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### Population

- **Population status**
  - 1996: 58,772
  - 2001: 71,494
  - 2011: 89,430

- **Age**
  - 1996: 0-14: 6%, 15-64: 65%, 65+: 29%
  - 2001: 0-14: 7%, 15-64: 67%, 65+: 26%
  - 2011: 0-14: 10%, 15-64: 67%, 65+: 23%

- **Male/Female**
  - 1996: Male 51%, Female 49%
  - 2001: Male 50%, Female 50%
  - 2011: Male 51%, Female 49%

### Education

- **1996**
  - Higher education: 7%
  - GR12: 11%
  - No schooling: 82%

- **2001**
  - Higher education: 6%
  - GR12: 6%
  - No schooling: 87%

- **2011**
  - Higher education: 3%
  - GR12: 5%
  - No schooling: 94%

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

### Basic services

- **Electricity**
  - 1996: 12%
  - 2001: 9%
  - 2011: 94%

- **Piped water**
  - 1996: 5%
  - 2001: 3%
  - 2011: 92%

- **Toilet facilities**
  - 1996: 4%
  - 2001: 5%
  - 2011: 91%

### Households

- **Average household size**
  - 1996: 3.8
  - 2001: 3.5
  - 2011: 3.0

- **Average dwelling type per no. of households**
  - Formal dwelling: 2011: 92%
  - Traditional dwelling: 2011: 7%
  - Informal dwelling: 2011: 1%

- **Average household income**
  - 2001: 687
  - 2011: 1127

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Continued clean audit outcome

- **2012-13**: Unqualified with no findings
- **2011-12**: Unqualified with no findings
- **2010-11**: Unqualified with findings

Drivers of key controls improving

- Leadership
  - Effective leadership
  - Oversight responsibility
- Human resource management
  - Policies and procedures
- Information technology controls
  - Action plans
- Financial and performance management
  - Revenue
  - Cost and service delivery
- Governance
  - Risk management
  - Internal audit
  - Audit committee

Assurance levels should be maintained

- Senior management: Provides assurance
- Municipal manager: Provides assurance
- Mayor: Provide assurance
- Internal audit: Provide assurance
- Audit committee: Provides some assurance
- Municipal council: Provides assurance
- MPAC: Not established

Status of key commitments by the mayor

- To sustain the clean audit outcome:
  - Improvements to the procurement processes to ensure a more compliant supply chain management system.
  - Improved management of creditor payments.
  - Improvements in the definitions, alignment and completeness of the KPIs in the IDP and SDBIP.
  - Clearer reporting of measures to address under-performance on KPIs.

Progress made in addressing risk areas

- Supply chain management
- Quality of performance reports
- Human resource management
- Quality of submitted financial statements
- Information technology controls
- Financial health

Root causes to be addressed

- No significant deficiencies relevant to the audit of the financial statements, performance report and compliance with laws and regulations.

General report on the audit outcomes of the Western Cape Local Government for 2012-13
Current year audit outcomes: Unqualified with no findings

Sustained clean audit outcome

The municipality’s audit outcome remained unchanged since the prior year and it maintained its clean audit outcome through continuous drive from leadership.

Six key risk areas

The overall status of the six key risk areas indicates that the municipality is generally well managed. Progress has been made in addressing the key risk areas, most notably in the area of supply chain management, quality of performance reporting and financial health. An area in which the residual risks should be addressed by the municipality is the following:

• Specific attention should be given to the review of the annual financial statements and annual performance report to eliminate the risk of material misstatements.

Key controls and root causes

Overall, the key controls continue to reflect an improvement, which is attributed to the municipal leadership implementing an effective action plan which was closely monitored by the leadership and those in charge of governance, including internal audit.

The risk areas requiring some attention relate to the following:

• IT governance and system controls in relation to the development of an IT governance framework.
• Processing and reconciling controls to eliminate the risk of material misstatements in the financial statements and annual performance report.
• Preparation of regular, accurate and complete financial reports supported by reliable supporting documentation.

Impact of key role players on audit outcomes

The assurance levels provided by key role players should be maintained to sustain the clean audit outcomes achieved during the year under review.

Although we only met once with the mayor during the current financial year, her commitment to sustain the audit outcomes was honoured by the municipal manager, chief financial officer, senior managers and support staff, as well as internal audit and the audit committee through their interactions with the audit team and by taking responsibility for addressing past audit findings and identified internal control deficiencies.
1.19 Oudtshoorn Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

Population status

<table>
<thead>
<tr>
<th>Year</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>28,353</td>
<td>29,492</td>
<td>31,503</td>
</tr>
</tbody>
</table>

Average household size

- 1996: 6%
- 2001: 6%
- 2011: 7%

Average dwelling type per no. of households

- 1996: 60%
- 2001: 62%
- 2011: 64%

Average household income

- 1996: Basic services
  - 10%
  - 10%
- 2001: 16%
  - 20%
- 2011: 25%
  - 88%

Average household size and income are not reflective of persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

Basic services

- Electricity
  - 2011: 85%
  - 2001: 89%
  - 1996: 81%
- Piped water
  - 2011: 89%
  - 2001: 87%
  - 1996: 91%
- Toilet facilities
  - 2011: 82%
  - 2001: 82%
  - 1996: 74%

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

Education

- Higher education
  - 1996: 16%
  - 2001: 8%
  - 2011: 10%
- GR12
  - 1996: 16%
  - 2001: 10%
  - 2011: 7%
- No schooling
  - 1996: 25%
  - 2001: 7%
  - 2011: 7%

Labour

- Employed
  - 1996: 75%
  - 2001: 66%
  - 2011: 75%
- Unemployed
  - 1996: 25%
  - 2001: 34%
  - 2011: 25%

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
Stagnation in audit outcome

Drivers of key controls not improving

Assurance levels should be improved

Status of key commitments by the accounting officer

The lack of stability in and ownership by the political and administrative leadership to effectively exercise oversight of financial reporting, performance reporting, compliance and governance.

Sufficiently skilled resources not employed as the critical positions of municipal manager and chief financial officer were vacant. There were also vacancies in key components, i.e. internal audit, finance, performance and supply chain management.

The leadership and governance structures, such as the audit committee and council, did not adequately monitor management’s actions to address the root causes of past audit outcomes and establish effective and sustainable internal controls.

The accounting officer undertook to appoint the audit committee and to ensure that internal audit reports to the audit committee. To ensure payroll certification and that attendance registers are completed. To address assets duplications in the asset register.

The accounting officer undertook to implement internal controls relating to supply chain management, including three quotations, deviations, prospective supplier list, bid specification committee and approval of bids by the accounting officer and to implement controls relating to asset management, physical verification & monthly reconciliations.

No progress made in addressing risk areas

Supply chain management

Quality of performance reports

Human resource management

Information technology controls

Financial health

No findings | Findings | Material findings

Root causes to be addressed

The current audit outcomes are the result of the attention given to the six key risk areas,

the drivers of the key controls and the root causes as well as the level of assurance that was provided by the key role players and the progress made on their commitments.

General report on the audit outcomes of the Western Cape Local Government for 2012-13
Current year audit outcome

Unqualified with findings

Stagnation in audit outcome

The stagnation in the audit outcome of the municipality was caused by instability of leadership and senior management, resulting in inadequate monitoring of action plans to address prior year findings as repeat findings occurred in the current year.

Six key risk areas

The status of supply chain management remains a concern, primarily because the municipality in many instances did not comply with the legislative requirement to obtain three quotations and seek approval for deviations, while specifications were not compiled by the bid specification committee and not approved by the accounting officer.

The municipality did not submit the annual report for audit and no standard operating procedures were in place to guide the process of collation, recording and reporting of information. In addition, there were vacant positions in the performance management unit. The municipality should focus on filling vacant positions, developing and implementing standard operating procedures and validating the quarterly performance reports.

There has been stagnation in human resource management. The municipality needs to focus on filling vacant positions and training of staff to achieve the minimum competencies by 2014, as required by the National Treasury.

The status of quality of financial statements submitted for audit remains a concern as material misstatements were not prevented or detected by the municipality’s internal controls. If not addressed, the unqualified opinion may not be sustainable.

No progress has been made with regard to IT controls. An IT governance framework has not been designed or implemented and controls such as security management, user access management and IT service continuity relating to these systems were not adequately designed and implemented.

Although financial health remained stable, there were concerns regarding the debt-collection period, creditor-payment period and budget management due to underspending of capital funding, underspending of conditional grants and unauthorised expenditure in certain expenditure votes.

Key controls and root causes

The overall stagnation in key controls was caused by instability in the council and senior management, including the municipal manager and chief financial officer positions, vacancies in key components, such as internal audit, supply chain management, finance and the performance management unit. The municipality partly addressed shortcomings in the governance structures by appointing an audit committee although it did not fulfil its responsibilities as it was only appointed in March 2013.

The municipality should strengthen the following controls to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Request support from provincial treasury and local government to assist in areas of financial and performance management.
- Filling of vacant positions to ensure that the municipality is adequately capacitated.
- Insist on regular financial and performance reports that are valid, accurate and complete.
- Implement a checklist for monitoring of compliance at monthly management meetings.

Impact of key role players on audit outcomes

We did not meet with the mayor due to instability in leadership. We met with the accounting officer twice during the financial year and these interactions had a minimal impact on the audit outcomes.

The accounting officer undertook to fully implement the previous year’s commitments to improve the audit outcomes on supply chain management, predetermined objectives and financial statements; however, the accounting officer has not yet made new commitments.
1.20 Overberg District Municipality

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The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome
Root causes to be addressed
Drivers of key controls improving
Progress made in addressing risk areas

Assurance levels should be improved

Status of key commitments by the mayor

Key officials lacking minimum skills and competencies/lack of resources:
Due to resource constraints management was not able to fully implement a credible action plan, resulting in limited progress in addressing the root causes of the audit findings reported in the prior year in the areas of reporting on predetermined objectives, compliance with laws and regulations, human resource and asset management.
The lack of resources also impacted the municipality’s ability to implement policies and processes to strengthen the internal control environment to fully address all the prior year audit findings reported.

The control deficiencies identified for asset management, HR management and non-compliance with SCM laws and regulations, including DoRA compliance – the mayoral committee has assigned responsibilities to certain members of staff to address the deficiencies in internal controls.
The district municipality is in the process of investigating the IT strategic plan to be implemented.

Most of the findings reported in 2011-12 for SCM were addressed. Findings previously reported relating to the IT server room smoke detectors and access controls were also addressed. For PDO a link between KPIs to the five-year SDBIP and IDP was established.
Stagnation in audit outcome

The number of audit findings reported at the municipality decreased significantly compared to the previous year due to the right tone set at the top.

Key risk areas

The lack of sufficient financial and human resources and an inability to implement policies and processes pose a risk to the municipality’s ability to sustainably improve its internal control environment to achieve clean administration and to deliver on its service delivery mandate through effectively addressing all six key risk areas.

The reliability and completeness of reported performance continue to pose a risk to obtaining a clean audit outcome.

There was an improvement in the quality of the financial statements. Asset management, with specific reference to fixed asset reconciliations and ongoing fixed asset counts, remained an area of concern during the year under review mainly due to inadequate capacity to perform the function.

The control weaknesses in the IT environment, notably the IT governance framework, and challenges experienced in the area of human resource management, notably compliance with the minimum competency framework, were identified and reported on for the past three years.

Entity-wide risk assessment could not be performed with sufficient regularity due to a lack of funding available to the municipality during the year, which in turn made it difficult for the municipality to produce clear risk assessments outlining key risk areas to which effort and resources need to be directed for it to be addressed. The funding constraints experienced by the municipality also made it challenging to fill key vacancies for the section 57 directors.

Key controls and root causes

The overall improvement in key controls is attributed to leadership honouring their commitment to address the control deficiencies identified in the past. The slow progress towards achieving a clean audit outcome is mainly due to insufficient funding for the past three years, which prevented the municipality from making appointments in key positions.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Oversight responsibility to ensure regular and accurate performance reporting and compliance with laws and regulations should be improved.
- The municipality should improve the capacity of the performance information unit to enhance key controls in the area of reporting on predetermined objectives.
- The municipality should implement effective human resource management to ensure that adequate and sufficiently skilled officials are appointed whose performance is monitored.
- The municipality should implement an IT governance framework that will support a holistic IT control environment.
- Asset management controls should be strengthened while an effective risk assessment process should be established.

Impact of key role players on audit outcomes

The municipality should continue to focus on initiatives for improving its financial health and human resources by engaging role players within the provincial and national spheres of government in this regard.

The municipality experienced positive improvements in its key control environment which can be attributed to the presence of the contracted chief financial officer who monitored financial controls.

The municipality also has an effective internal audit unit, supported by the audit committee, which monitored the action plan for areas previously reported on by the AGSA, resulting in reduced audit findings.

The mayoral committee, including the broader council, sets the tone at the top for integrity, sound governance and a good internal control environment. For audit outcomes to improve, the mayoral committee has the responsibility of ensuring that the municipal manager and senior managers accept accountability for the deliverables set in the SDBIP and integrated development plan, including the financial administration to drive those deliverables.
1.21 Cape Agulhas Municipality (and its entity)

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

<table>
<thead>
<tr>
<th>Year</th>
<th>Unqualified with no findings</th>
<th>Unqualified with findings</th>
<th>Qualified with findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2011-12</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2010-11</td>
<td>100%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Drivers of key controls not improving

- **Leadership**
  - Effective leadership
  - Oversight responsibility
  - HR management
  - Policies and procedures
  - Action plans
  - IT governance

- **Financial and performance management**
  - Proper record keeping
  - Processing and reconciling controls
  - Reporting
  - Compliance
  - IT system controls

- **Governance**
  - Risk management
  - Internal audit
  - Audit committee

Assurance levels should be improved

<table>
<thead>
<tr>
<th>Role</th>
<th>Assurance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal manager/CEO</td>
<td>100%</td>
</tr>
<tr>
<td>Mayor</td>
<td>100%</td>
</tr>
<tr>
<td>Internal audit</td>
<td>100%</td>
</tr>
<tr>
<td>Audit committee</td>
<td>100%</td>
</tr>
<tr>
<td>Municipal council/Board</td>
<td>100%</td>
</tr>
<tr>
<td>MPAC</td>
<td>100%</td>
</tr>
</tbody>
</table>

No progress made in addressing risk areas

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>2012-13</th>
<th>2011-12</th>
<th>2010-11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain management</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Quality of performance reports</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Human resource management</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Quality of submitted financial statements</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Information technology controls</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Financial health</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Root causes to be addressed

- Slow response to AGSA message: Not implementing adequate controls to ensure that information used to support the amounts in the financial statements was valid, accurate and complete.
- Key officials lacking minimum competencies and skills: This is evidenced by the over-reliance on consultants and leadership not taking responsibility for financial and performance reporting and compliance with laws and regulations, as the financial statements contained material errors that were identified during the audit process.

Status of key commitments by the mayor

- **Report on SDBIP audited monthly by internal audit. Quarterly reports submitted to council and audit committee.**
- **Compliance module to be implemented. Improvement in the monitoring of action plans**
  - A fully functional internal audit unit.
- **Prepare regular, accurate and complete financial and performance reports.**
- **The newly appointed municipal manager has committed to taking ownership to improve audit outcomes.**
  - The filling of the CFO position to be expedited.

The current audit outcomes are the result of the attention given to the six key risk areas.
Current year audit outcomes:

- **Cape Agulhas Municipality**
- **Southern-most Development Agency (established 23 October 2012; operations discontinued 28 May 2013)**

### Stagnation in audit outcome

The lack of improvement in the audit outcomes was caused by the municipality’s failure to effectively address the compliance requirements in respect of asset and expenditure management and to implement effective controls to verify the validity, accuracy and completeness of the underlying information supporting the financial statements.

The municipality continued to rely on consultants to assist with the preparation of financial statements for audit in the current year.

### Six key risk areas

Some progress has been made in addressing the key risk areas of supply chain management, the quality of the performance report and human resource management as no significant deficiencies were identified in these areas. Although the quality of the annual performance report has improved, the municipality should focus on the measurability of the performance information to address findings on the usefulness of its performance report.

The quality of the financial statements remains a concern as material misstatements in respect of assets, provision for the rehabilitation of landfill sites and commitments were identified in the financial statements during the audit, which were subsequently corrected. Concerns also remain regarding the continued assistance sought from consultants and the over-dependency on consultants to perform duties of municipal officials due to a lack of transfer of skills.

Municipal management should prioritise the adoption and implementation of the cabinet-approved IT governance framework and guidelines within the next three financial years. The municipality again incurred unauthorised expenditure due to poor controls over expenditure and budget management. The municipal entity is in the process of being de-registered.

### Key controls and root causes

The overall deterioration in key controls was mainly due to the following:

- The municipal leadership did not address internal control deficiencies communicated during the key control visits and effectively monitor the implementation of the action plan to address past audit findings in a timely manner.
- Key officials in the finance department do not yet have the minimum competencies and skills and therefore continued to rely on consultants for certain financial reporting functions.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Regular preparation and review of financial statements, including improving controls over the daily and monthly processing and reconciliation of transactions, especially in the area of assets.

### Impact of key role players on audit outcomes

The assurance levels provided by the various role players of both auditees should be improved and the shortcomings in key controls, as identified above, should be addressed by the accounting officer in consultation with their senior management.

Stability at the level of accounting officer and senior management is critical in ensuring an improvement in the audit outcome. The implementation of the recommendations of internal and external audit should be supported by adequate action plans which are closely monitored by those charged with governance.

We met with the mayor once during the financial year but this interaction had minimal impact on the audit outcomes. This assessment is based on the significant deficiencies in key controls identified in the current and prior years.
1.22 Overstrand Municipality

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**Population**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>58,303</td>
<td>55,012</td>
<td>113,315</td>
</tr>
<tr>
<td>2001</td>
<td>60,401</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>66,170</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Households**

<table>
<thead>
<tr>
<th>Average household size</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>2.9</td>
<td>2.6</td>
<td></td>
</tr>
</tbody>
</table>

**Basic services**

- **Electricity**
  - 2011: 90%
  - 2001: 83%
  - 1996: 83%

- **Piped water**
  - 2011: 89%
  - 2001: 87%
  - 1996: 86%

- **Toilet facilities**
  - 2011: 94%
  - 2001: 91%
  - 1996: 89%

The statistics reflected above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.
### Improvement in audit outcome

<table>
<thead>
<tr>
<th>Year</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-13</td>
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</tr>
<tr>
<td>2011-12</td>
<td>Unqualified with findings</td>
</tr>
<tr>
<td>2010-11</td>
<td>Unqualified with findings</td>
</tr>
</tbody>
</table>

### Drivers of key controls improving/ not improving

<table>
<thead>
<tr>
<th>Control Area</th>
<th>2012-13</th>
<th>2011-12</th>
<th>Changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial and performance management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Assurance levels should be improved/ maintained

- **Senior management**: Provides assurance
- **Municipal manager**: Provides assurance
- **Mayor**: Provides assurance
- **Internal audit**: Provides assurance
- **Audit committee**: Provides assurance
- **Municipal council**: Provides some assurance
- **MPAC**: Provides some assurance

### Progress made in addressing risk areas

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain management</td>
<td></td>
</tr>
<tr>
<td>Quality of performance reports</td>
<td></td>
</tr>
<tr>
<td>Human resource management</td>
<td></td>
</tr>
<tr>
<td>Quality of submitted financial statements</td>
<td></td>
</tr>
<tr>
<td>Information technology controls</td>
<td></td>
</tr>
<tr>
<td>Financial health</td>
<td></td>
</tr>
</tbody>
</table>

### Root causes to be addressed

- No significant deficiencies relevant to the audit of the financial statements, performance report and compliance with laws and regulations.

### Status of key commitments by the mayor

- **Monitoring the development and implementation of action plans to address internal control deficiencies.**
- **Exercise oversight responsibility regarding financial and performance reporting and compliance and related internal controls.**
- **All relevant controls will be imbedded in the municipality to sustain the clean audit outcome. Furthermore, action plans will be developed, implemented and monitored to address control deficiencies identified during the last audit.**
Current year audit outcomes: ▪ Unqualified with no findings

Significant movement in audit outcome

The improvement in the audit outcome was due to relevant stakeholders providing assurance and addressing the previous non-compliance issues relating to material misstatements and control deficiencies in asset management. This was achieved by drafting action plans and adequate implementation and monitoring thereof. Regular meetings were held between the audit team and management, which resulted in findings being resolved earlier.

Six key risk areas

The municipality moved from unqualified with findings to a clean audit outcome. Although progress has been made in the six risk areas, management should focus on maintaining current controls implemented and should also address prior year action plans still in progress and design and implement actions to address new control weaknesses identified during the current audit. The focus of management should thus be on the sustainability of the clean audit status.

Key controls and root causes

The overall improvement in the key controls was due to an improvement in leadership controls, which in turn resulted in improved oversight of financial and performance management. In order to maintain the clean audit outcome, leadership should strengthen the following residual controls to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Financial management should improve record keeping to ensure that supporting documentation is readily available for audit purposes.
- The supporting documentation in the portfolio of evidence files did not sufficiently support the reported performance information because not all the responsible officials had a clear understanding of what a portfolio of evidence file should include.
- Inadequate daily and monthly review controls over the preparation of quarterly performance reports to ensure that information captured on the IGNITE system corresponds with that in the portfolio of evidence files to ensure the credibility of reported performance information.
- The performance reports were not adequately reviewed by all responsible officials to ensure the accuracy of the information reported.
- Leadership should review and align its existing IT governance framework with the newly communicated Corporate governance of information and communication technology policy framework.
- Shortcomings were identified and reported in the following areas of formal control over IT systems which ensure the reliability of the systems and the availability, accuracy and protection of information: IT service continuity, user access control and security management.
- Leadership should review and align its existing IT governance framework with the newly communicated Corporate governance of information and communication technology policy framework.
- Inadequate daily and monthly review controls over the preparation of quarterly performance reports to ensure that information captured on the IGNITE system corresponds with that in the portfolio of evidence files to ensure the credibility of reported performance information.

The mayor and municipal manager should address these root causes of inadequate controls as follows:

- Action plans for prior year audit findings should be monitored to ensure that they are implemented timeously.
- New actions plans should be designed for current year audit findings and these should be implemented and monitored regularly to ensure the achievement of clean administration on a sustainable basis.

Impact of key role players on audit outcomes

Assurance levels should be maintained by ensuring stability at the level of municipal manager and senior management.

We met with the mayor three times in the past year and these interactions had a significant impact on the audit outcomes.

The council and municipal public accounts committee should also play an important oversight role to ensure that issues reported receive the required attention and that control deficiencies are adequately addressed to avoid repeat findings and to ensure the establishment of a culture of honesty, ethical business practices and good governance, thus protecting and enhancing the interests of the municipality.
1.23 Swellendam Municipality

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Population

<table>
<thead>
<tr>
<th>Year</th>
<th>0-14</th>
<th>15-64</th>
<th>65+</th>
</tr>
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<tbody>
<tr>
<td>1996</td>
<td>2441</td>
<td>29265</td>
<td>35917</td>
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<tr>
<td>2001</td>
<td>31%</td>
<td>63%</td>
<td>4%</td>
</tr>
<tr>
<td>2011</td>
<td>36%</td>
<td>64%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Households

<table>
<thead>
<tr>
<th>Average household size</th>
<th>Average dwelling type per no. of households</th>
<th>Average household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>7%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>91%</td>
<td>88%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Basic services

94% of the households have access to electricity

- 2011: 94%
- 2001: 88%
- 1996: 75%

91% of the households have access to piped water

- 2011: 91%
- 2001: 91%
- 1996: 84%

86% of the households have access to toilet facilities

- 2011: 86%
- 2001: 84%
- 1996: 75%

The statistics reflected above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher education</th>
<th>GR12</th>
<th>No schooling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>12%</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>2001</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
</tr>
<tr>
<td>2011</td>
<td>7%</td>
<td>5%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Labour

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>2001</td>
<td>84%</td>
<td>16%</td>
</tr>
<tr>
<td>2011</td>
<td>89%</td>
<td>11%</td>
</tr>
</tbody>
</table>
Improvement in audit outcome

- **2012-13**
  - Unqualified with findings

- **2011-12**
  - Disclaimed with findings

- **2010-11**
  - Disclaimed with findings

Drivers of key controls improving

- Leadership:
  - Effective leadership
  - Oversight responsibility
  - HR management
  - Policies and procedures
  - Action plans
  - IT governance
- Financial and performance management:
  - Proper record keeping
  - Processing and reconciling controls
- Governance:
  - Risk management
  - Internal audit
  - Audit committee

Assurance levels should be improved

- Senior management
  - Provides limited assurance
- Municipal manager
  - Vacancy
- Mayor
  - Provides some assurance
- Internal audit
  - Not established
- Audit committee
  - Not established
- Municipal council
  - Provides some assurance
- MPAC
  - Not established

Progress made in addressing risk areas

- Supply chain management
  - Good
  - Concerning
  - Intervention required
- Quality of performance reports
  - Good
  - Concerning
  - Intervention required
- Human resource management
  - Good
  - Concerning
  - Intervention required
- Information technology controls
  - Good
  - Concerning
  - Intervention required
- Financial health
  - Good
  - Concerning
  - Intervention required

Root causes to be addressed

- Slow response to AGSA message:
  - A credible action plan to address root causes of material internal control deficiencies was not designed, implemented and monitored by the leadership of the municipality.
- Stability in key positions/vacancies:
  - The municipality lacked stability in the key positions of municipal manager and chief financial officer to exercise effective oversight of financial reporting, reporting on predetermined objectives, compliance with laws and regulations and governance, resulting in a weak internal control environment.
- Lack of skills and competencies:
  - Individuals with the necessary skills, competencies and knowledge were not employed in critical positions in the finance unit and performance management units while an internal audit unit was not established.

Status of key commitments by the mayor

- The municipality established an audit committee subsequent to the financial year-end.
- A consultant has been appointed to compile the financial statements for the following financial year and the municipality has committed to establishing an internal audit unit.
- A credible action plan to address the root causes of material audit findings reported is to be compiled and implemented with immediate effect.
Current year audit outcomes: Unqualified with findings

Significant movement in audit outcome

The improvement in the audit outcome since the previous year was largely as a result of the consultants appointed at the municipality to address prior year qualifications and avoiding a repeat of the findings in the current year.

The municipality relied on consultants to assist with the preparation of financial statements for audit at a cost of R1 223 829 in the current year (2012: R3 212 034).

Six key risk areas

The main reason why the municipality progressed from a disclaimed to an unqualified audit outcome was the assistance of consultants sought by the municipality to address the key risk areas regarding the compilation of financial statements. The over-dependency on consultants to manage the internal controls supporting financial reporting remains a concern. Vacancies in key positions in the finance unit further imply that consultants were unable to transfer skills, resulting in continued dependency on consultants.

As was the case in the prior year, the annual performance report has not been presented for audit purposes. The municipality should focus on measures to ensure that a credible performance report is submitted for audit purposes.

The municipality lacked stability in the key positions of municipal manager and chief financial officer and was therefore unable to effectively exercise oversight of financial reporting, reporting on predetermined objectives, compliance with laws and regulations and governance, resulting in a weak internal control environment.

A further concern remains the processes around the management of budget, mainly relating to quarterly reports not submitted in a timely manner, a lack of controls to prevent unauthorised expenditure and monthly budget statements not being submitted to the mayor.

The status of supply chain management remains unsatisfactory, primarily because the municipality in many instances did not comply with the legislative requirements.

IT governance processes which support and enable the business requirements to deliver value, coupled with a disaster recovery plan for its IT systems, were not implemented at the municipality.

Key controls and root causes

Limited progress was made in the overall status of key controls. The only area that showed improvement was record management.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- The municipal council, together with management, should promote an environment of leadership stability. Critical positions should be filled with competent staff within a reasonable period.
- The municipality should develop a credible action plan to address all audit findings and internal control deficiencies reported to prevent recurrence thereof and should regularly report on the progress made to the municipal council.
- Management should ensure that an internal audit unit is established which should perform monitoring to determine whether monthly and daily disciplines are appropriately applied. The chief financial officer should further develop processes to facilitate the compilation of financial statements on a quarterly basis.

Impact of key role players on audit outcomes

Leadership stability and the filling of key vacancies are regarded as major factors to ensure sustainably improved audit outcomes for the Swellendam Municipality. Furthermore, assurance levels should be improved by establishing an internal audit function and appointing additional members to the audit committee established subsequent to the financial year-end. We met with the accounting officer during the financial year but these interactions had minimal impact on the audit outcome. The reason for our assessment is the lack of a credible action plan that is adequately monitored by the leadership of the municipality.
1.24 Theewaterskloof Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Population status</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>73 709</td>
<td>38%</td>
<td>62%</td>
</tr>
<tr>
<td>2001</td>
<td>83 518</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>2011</td>
<td>108 791</td>
<td>49%</td>
<td>51%</td>
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Age

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<thead>
<tr>
<th>Year</th>
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<th>15-64</th>
<th>65+</th>
</tr>
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<tbody>
<tr>
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<td>2001</td>
<td>28%</td>
<td>68%</td>
<td>14%</td>
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<tr>
<td>2011</td>
<td>25%</td>
<td>70%</td>
<td>5%</td>
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Male/Female

<table>
<thead>
<tr>
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<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
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<td>47%</td>
<td>53%</td>
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<tr>
<td>2001</td>
<td>48%</td>
<td>52%</td>
</tr>
<tr>
<td>2011</td>
<td>49%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Basic services

- 89% of the households have access to electricity
- 87% of the households have access to piped water
- 87% of the households have access to toilet facilities

Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher education</th>
<th>GR12</th>
<th>No schooling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>16%</td>
<td>7%</td>
<td>77%</td>
</tr>
<tr>
<td>2001</td>
<td>11%</td>
<td>9%</td>
<td>79%</td>
</tr>
<tr>
<td>2011</td>
<td>11%</td>
<td>9%</td>
<td>79%</td>
</tr>
</tbody>
</table>

Labour

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>2001</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>2011</td>
<td>86%</td>
<td>14%</td>
</tr>
</tbody>
</table>

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
Improvement in audit outcome

2012-13
Unqualified with no findings

2011-12
Unqualified with findings

2010-11
Unqualified with findings

Drivers of key controls improving

Leadership
- Effective leadership
- Oversight responsibility
- HR management

Financial and performance management
- Policies and procedures
- Action plans
- IT governance

Governance
- Proper recordkeeping
- Processing and reconciling controls
- Reporting
- Compliance
- IT system controls

Improvement in audit outcome
Root causes to be addressed
Drivers of key controls improving
Progress made in addressing risk areas

Assurance levels should be maintained

Senior management
- Provides assurance

Municipal manager
- Provides assurance

Mayor
- Provides assurance

Internal audit
- Provides assurance

Audit committee
- Provides assurance

Municipal council
- Provides assurance

MPAC
- Not established

Status of key commitments by the mayor

No significant deficiencies relevant to the audit of the financial statements, performance report and compliance with laws and regulations.

Action plans to address management report items.
Implementation of the inventory systems.
Finance performing monthly reconciliations.

The IT framework still in process of being approved and implemented.

Sustaining the clean audit outcome.
Timeous filling in key vacant posts with skilled individuals.
Improving debt collection to improve cash flows.
Continued effective governance and oversight.
Current year audit outcomes: Unqualified with no findings

Significant movement in audit outcome

The audit outcome improved as a result of the municipality accepting ownership and accountability for and implementing corrective actions to achieve a clean audit outcome.

Six key risk areas

Progress has been made in addressing the key risk areas, most notably in the areas of supply chain management, human resource management and the quality of financial statements submitted for auditing. Internal audit played a vital role in confirming the effectiveness of the corrective actions taken by management, with special focus on auditing procurement and performance information. This was evidenced by the reduction in the number of external audit findings.

Improvements in the quality of the financial statements were supported by the implementation of fully functional asset management and inventory systems. In the area of supply chain management, although the graph indicates that findings were reported thereon, the findings were not material and related to the municipality’s internal processes. This improvement is also supported by the decrease in the number of immaterial findings as compared to the prior year. A similar decrease was noted in the number of immaterial findings relating to human resource management. Fewer immaterial inaccuracies were noted in the reported performance information submitted for auditing than in the past.

IT controls require attention in order to address the risks identified around security management, user access control and IT service continuity. These risks were also raised in the prior year.

The municipality is a going concern, but the high ratio of debtors not paying for services received impacts directly on the availability of cash for service delivery. The substantial impairment of debtors indicates that the cash inflow may be even worse in the next financial year.

Key controls and root causes

The municipality implemented an effective action plan which was closely monitored by the leadership and those in governance, including internal audit. This resulted in all material deficiencies reported in the prior year being addressed, with only minor issues remaining. These issues were not sufficiently material to be reported in the audit report for the year under review, and relate to:

- IT governance and system controls.
- Proper record keeping, processing and reconciling controls, preparation of regular, accurate and complete financial reports.
- Review and monitoring of compliance with laws and regulations.

Impact of key role players on audit outcomes

The support received from the mayor, councillor: Finance, municipal manager, the chief financial officer, senior management and support staff as well as internal audit and the audit committee during the audit process was key in achieving the audit outcome. The information required to complete the audit was readily accessible and available on request.

All key role players met regularly during the year and through their interactions provided the assurance required. This impacted positively on the audit.

Action plans to address the root causes of the current audit finding should be drafted as soon as possible and the actions monitored and evaluated. The audit committee efforts should be directed towards the assessment of quarterly financial information and evaluating performance information.

In the forthcoming year the internal audit unit will continue to conduct key control reviews, while external audit will meet with the leadership quarterly to assess the sustainability of their clean administration.
1.25 West Coast District Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Age Group</th>
<th>Male/Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>172,846</td>
<td>0-14</td>
<td>50%</td>
</tr>
<tr>
<td>2001</td>
<td>195,067</td>
<td>15-64</td>
<td>45%</td>
</tr>
<tr>
<td>2011</td>
<td>311,700</td>
<td>65+</td>
<td>55%</td>
</tr>
</tbody>
</table>

Households

<table>
<thead>
<tr>
<th>Year</th>
<th>Average household size</th>
<th>Average dwelling type per no. of households</th>
<th>Average household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>3.6</td>
<td>92% formal dwelling, 2% traditional dwelling, 3% informal dwelling</td>
<td>82% Basic services</td>
</tr>
<tr>
<td>2001</td>
<td>3.5</td>
<td>91% formal dwelling, 3% traditional dwelling, 2% informal dwelling</td>
<td>89% Basic services</td>
</tr>
<tr>
<td>2011</td>
<td>3.4</td>
<td>90% formal dwelling, 1% traditional dwelling, 1% informal dwelling</td>
<td>94% Basic services</td>
</tr>
</tbody>
</table>

Basic services

- 94% of the households have access to electricity
- 96% of the households have access to piped water
- 88% of the households have access to toilet facilities

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Education Level</th>
</tr>
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<tbody>
<tr>
<td>1996</td>
<td>Higher education 12%, GR12 24%</td>
</tr>
<tr>
<td>2001</td>
<td>GR12 34%, No schooling 8%</td>
</tr>
<tr>
<td>2011</td>
<td>No schooling 34%</td>
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</tbody>
</table>

Labour

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>2001</td>
<td>86%</td>
<td>14%</td>
</tr>
<tr>
<td>2011</td>
<td>85%</td>
<td>15%</td>
</tr>
</tbody>
</table>

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.
Continued clean audit outcome

2012-13
Unqualified with no findings

2011-12
Unqualified with no findings

2010-11
Unqualified with no findings

Drivers of key controls improving

- Leadership
- Financial and performance management
- Governance

- Effective leadership
- Oversight responsibility
- Human resource management Policies and procedures
- Action plans
- IT governance

- Proper record keeping
- Processing and reconciling controls
- Reporting
- Compliance
- IT system controls

- Risk management
- Internal audit
- Audit committee

- Assurance levels should be improved

- Senior management Provides assurance
- Municipal manager Provides assurance
- Mayor Provides assurance
- Internal audit Provides assurance
- Audit committee Provides assurance
- Municipal council Provides assurance
- MPAC Not established

Progress made in addressing risk areas

- Supply chain management
- Quality of performance reports
- Human resource management
- Quality of submitted financial statements
- Information technology controls
- Financial health

- No findings
- Findings
- Material findings

Root causes to be addressed

Slow response to AGSA message:
The municipality did not adequately monitor the completeness and accuracy of complex financial statement disclosures, which poses a risk to the municipality sustaining its clean audit outcome.
The municipality did not adequately monitor the action plan developed to address external audit findings relating to supply chain management practices, which poses a risk to the municipality sustaining its clean audit outcome.

Leadership did not establish formal processes to ensure business continuity through an effective disaster recovery and IT backup procedure plans and procedures.

Status of key commitments by the mayor

Three commitments to improve IT controls are in the process of being implemented. These relate to the recovery plan, inadequate backups and the development of backup procedures.

Three commitments relating to the financial statements, financial controls and compliance with laws and regulations have not been effectively implemented, resulting in recurrence of these findings in the current year.

Management committed to address all ineffective controls and progress made with action plans to ensure that audit findings reported are addressed and do not recur in the next financial year.
Current year audit outcomes: ■ Unqualified with no findings

Sustained clean audit outcome

The municipality maintained its unqualified with no findings status which is due to having robust internal control measures in place and leadership taking responsibility for the maintenance thereof.

Six key risk areas

Progress has been made in addressing the key risk areas, most notably in the areas of IT controls, human resource management and performance information.

The municipality’s debt-collection period after impairment has increased from 53,1 days to 64,4 days at year-end. When this is assessed with the municipality’s creditor-payment period of less than 30 days, the delayed conversion of the debt to cash may put undue pressure on the municipality’s cash flow position and could hamper timely payment of creditors.

Key controls and root causes

The overall improvement in key controls was due to the implementation of action plans by management in addressing audit findings of the prior year in order to prevent recurrence thereof in the 2012-13 financial year audit. Three commitment areas relating to IT controls are still in the process of being implemented and another three commitment areas in financial management have not been effectively addressed, resulting in recurrence of these findings in the 2012-13 financial year.

The following controls should be strengthened to maintain a control environment that supports reliable financial and performance reporting and compliance with legislation:

• Monitoring the completeness and accuracy of financial statement disclosures.

Impact of key role players on audit outcomes

For continued positive audit outcomes, assurance levels should be maintained by the municipal manager and senior management.

We met with the executive mayor three times during the financial year and these interactions had a significant impact on the audit outcomes. The reason for our assessment is the impact that the mayor had on the controls of the municipality as well as the status and impact of previous commitments.

Should the council monitor the commitments made by management, it will assist the municipality to maintain a clean audit outcome.
1.26 Berg River Municipality

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### Population

#### Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher Education</th>
<th>GR12</th>
<th>No schooling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>12%</td>
<td>13%</td>
<td>8%</td>
</tr>
<tr>
<td>2001</td>
<td>8%</td>
<td>10%</td>
<td>18%</td>
</tr>
<tr>
<td>2011</td>
<td>10%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>2011</td>
<td>6%</td>
<td>8%</td>
<td>22%</td>
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</table>

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.

### Labour

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>2001</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>2011</td>
<td>93%</td>
<td>7%</td>
</tr>
</tbody>
</table>

### Basic services

#### Households

- **Average household size**
  - 1996: 3.9
  - 2001: 3.5
  - 2011: 3.5

- **Average dwelling type per no. of households**
  - 1996: 7% Formal dwelling, 96% Traditional dwelling, 95% Informal dwelling
  - 2001: 2% Formal dwelling, 94% Traditional dwelling, 94% Informal dwelling
  - 2011: 4% Formal dwelling, 95% Traditional dwelling, 95% Informal dwelling

- **Average household income**
  - 2001: 0.5
  - 2011: 0.55

#### Education

- 95% of the households have access to electricity
  - 2011: 5%
  - 2001: 9%
  - 1996: 19%

#### Labour

- 90% of the households have access to toilet facilities
  - 2011: 4%
  - 2001: 5%
  - 1996: 7%

#### Education

- 97% of the households have access to piped water
  - 2011: 1%
  - 2001: 2%
  - 1996: 4%
General report on the audit outcomes of the Western Cape Local Government for 2012-13

Improvement in audit outcome

- **2012-13** Unqualified with findings
- **2011-12** Qualified with findings
- **2010-11** Unqualified with findings

Drivers of key controls improving

- **Leadership**
  - Effective leadership
  - Oversight responsibility
  - Policies and procedures
- **Financial and performance management**
  - Action plans
- **Governance**
  - IT governance

Assurance levels should be improved

- **Senior management**
  - Provides some assurance
- **Municipal manager**
  - Provides some assurance
- **Mayor**
  - Provides some assurance
- **Internal audit**
  - Provides some assurance
- **Audit committee**
  - Provides assurance
- **Municipal council**
  - Provides some assurance
- **MPAC**
  - Not established

Status of key commitments by the mayor

- Internal audit to develop formulations and calculations of KPIs.
- An official off-site to be established for back-ups of information and arrangements should be documented.
- An appropriate electronic asset register will be implemented and maintained.
- Split between parts A & B of the valuation roll was completed.

Deviations to be completed as per SCM policy and regulations and formal price quotations are requested regarding all possible transactions. Proper controls to be monitored over movement, issue, recording and accounting of stock on a regular basis. All suppliers to be required to complete a declaration of interest when they register as supplier.

The mayor committed to continue the drive for clean audits.

Progress made in addressing risk areas

- **Supply chain management**
- **Quality of performance reports**
- **Human resource management**
- **Quality of submitted financial statements**
- **Information technology controls**
- **Financial health**

Root causes to be addressed

- Slow response to messages.
- There was inadequate leadership oversight to ensure that plans to address previous audit findings were monitored in a timely manner. This is due to placing too much reliance on staff while physical checking is not sufficiently detailed.

Status of key findings

- **2012-13** Unqualified with findings
- **2011-12** Qualified with findings
- **2010-11** Unqualified with findings

The current audit outcomes are the result of the attention given to the six key risk areas.
Current year audit outcomes: ■ Unqualified with findings

Significant movement in audit outcome

The improvement in audit outcomes was brought about by the municipality addressing the prior year qualification on inventory.

Six key risk areas

Although the quality of the financial statements remains a concern, progress has been made in addressing the qualified opinion on inventory. The services of consultants were again engaged to draft the financial statements at a cost of R789 849 (2012: R779 430). Concerns relating to the continued assistance sought from consultants include the lack of transfer of skills, resulting in continued dependence on consultants.

Supply chain management (SCM) remains a concern, primarily because the municipality, in many instances, did not comply with the legislative requirements to obtain a declaration of independence from suppliers when procuring goods and services.

Key controls and root causes

The overall improvement in key controls was due to the municipality improving leadership and financial management controls, in particular.

Leadership should address the root causes of poor audit outcomes and inadequate controls as follows:

• Action plans to address previous findings should be monitored in a more timeous manner. Too much reliance is placed on staff while physical checking is not detailed enough.
• A system should be implemented to prevent and detect non-compliance with laws and regulations throughout the environment.
• The prescripts for reporting on predetermined objectives should be fully implemented to further improve in this area.
• The financial records should be adequately reviewed for completeness and accuracy prior to compiling the financial statements and submitting them for audit.

Impact of key role players on audit outcomes

For improved audit outcomes, assurance levels should be improved by implementing the recommendations of the auditors.

We met with the mayor once during the financial year, while the deputy mayor was present at all audit steering committee meetings. This interaction had some impact on the audit outcomes.

We met with the municipal manager six times during the year, which had a positive impact on the audit outcomes. Internal audit is subject to capacity constraints, which limits the scope of the work that can be covered; hence the impact is limited. The audit committee performs its functions effectively.
1.27 Cederberg Municipality

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Population

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>31%</td>
<td>29%</td>
<td>28%</td>
</tr>
<tr>
<td>Female</td>
<td>69%</td>
<td>71%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Age

<table>
<thead>
<tr>
<th>Year</th>
<th>0-14</th>
<th>15-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>63%</td>
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<td>18%</td>
</tr>
<tr>
<td>2001</td>
<td>65%</td>
<td>26%</td>
<td>19%</td>
</tr>
<tr>
<td>2011</td>
<td>68%</td>
<td>26%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Male/Female

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2001</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2011</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Households

<table>
<thead>
<tr>
<th>Average household size</th>
<th>1996</th>
<th>2001</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-14</td>
<td>39</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>15-64</td>
<td>36</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>65+</td>
<td>36</td>
<td>36</td>
<td>35</td>
</tr>
</tbody>
</table>

Basic services

89% of the households have access to electricity

- 2011: 11%
- 2001: 16%
- 1996: 24%

95% of the households have access to piped water

- 2011: 95%
- 2001: 93%
- 1996: 91%

83% of the households have access to toilet facilities

- 2011: 83%
- 2001: 82%
- 1996: 71%

Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher education</th>
<th>GR12</th>
<th>No schooling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>15%</td>
<td>11%</td>
<td>7%</td>
</tr>
<tr>
<td>2001</td>
<td>12%</td>
<td>15%</td>
<td>6%</td>
</tr>
<tr>
<td>2011</td>
<td>8%</td>
<td>5%</td>
<td>83%</td>
</tr>
</tbody>
</table>

Labour

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>92%</td>
<td>8%</td>
</tr>
<tr>
<td>2001</td>
<td>90%</td>
<td>10%</td>
</tr>
<tr>
<td>2011</td>
<td>89%</td>
<td>11%</td>
</tr>
</tbody>
</table>

The statistics depicted above do not reflect persons with only partial primary or secondary schooling. The graphic therefore does not add up to 100%.
General report on the audit outcomes of the Western Cape Local Government for 2012-13

**Improvement**

**2012-13**
Unqualified with findings

**2011-12**
Qualified with findings

**2010-11**
Unqualified with findings

**Drivers of key controls improving**

<table>
<thead>
<tr>
<th>Leadership</th>
<th>Financial and performance management</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective leadership</td>
<td>Proper record keeping</td>
<td>Risk management</td>
</tr>
<tr>
<td>Oversight responsibility</td>
<td>Processing and reconciling controls</td>
<td>Internal audit</td>
</tr>
<tr>
<td>HR management</td>
<td>Reporting</td>
<td>Audit committee</td>
</tr>
<tr>
<td>Policies and procedures</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Action plans</td>
<td>IT</td>
<td></td>
</tr>
<tr>
<td>IT governance</td>
<td>system controls</td>
<td></td>
</tr>
</tbody>
</table>

**Assurance levels should be improved**

<table>
<thead>
<tr>
<th>Senior management</th>
<th>Provide limited / no assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal manager</td>
<td>Provide some assurance</td>
</tr>
<tr>
<td>Mayor</td>
<td>Provide limited / no assurance</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Provide limited / no assurance</td>
</tr>
<tr>
<td>Audit committee</td>
<td>Provide some assurance</td>
</tr>
<tr>
<td>Municipal council</td>
<td>Provide limited / no assurance</td>
</tr>
<tr>
<td>MPAC</td>
<td>Provide limited / no assurance</td>
</tr>
</tbody>
</table>

**Progress made in addressing risk areas**

- Supply chain management
- Quality of performance reports
- Human resource management
- Quality of submitted financial statements
- Information technology controls
- Financial health

**Root causes to be addressed**

- Slow response to AGSA message and not taking key controls seriously: There was inadequate leadership oversight to ensure that plans to address previous audit findings were monitored.
- Lack of consequences for poor management and transgression: Insufficient attention is given by the leadership to hold officials accountable for their actions.
- Key officials lack minimum competencies and skills: Skills gaps are still pronounced in the performance and finance units given the use of consultants due lack of technical expertise.

**Status of key commitments by the mayor**

- The council appointed the internal audit unit to report to the audit committee.
- A full and comprehensive asset and inventory count was performed in order to have complete records for accurate financial reporting.
- The asset system must still be aligned to the general accounting system. This is expected to be performed during the 2013-14 financial year.

- The accounting officer committed to fully implementing the previous year’s commitments to improve the audit outcomes on SCM, predetermined objectives and financial statements. Deviations to be completed as per SCM policy and regulations and formal price quotations are requested regarding all possible transactions.
Current year audit outcomes: Unqualified with findings

Significant movement in audit outcome

The improvement in the audit outcomes of the municipality was due to the efforts of the municipal leadership in prioritising actions to address the qualified opinion on assets, expenditure, revenue, inventory and disclosure notes. The municipality again employed consultants to prepare financial statements for audit at a cost of R3 319 944 (2012: R2 655 955).

Six key risk areas

The status of supply chain management is of concern as the municipality did not have the capacity to monitor contracts on a monthly basis and did not perform regular reviews on supply chain management processes; hence irregular expenditure was identified during the audit.

The status of the quality of the annual performance reports is of concern as the municipality’s targets were not verifiable and there were no documented standard operating procedures to guide the process of collation, recording and reporting of information. The municipality should focus on developing and implementing standard operating procedures and validate the quarterly performance reports.

There has been improvement in human resource management. The municipality needs to develop documented policies with regards to the management of the extended public works programme (EPWP) workers and ensure that overtime worked is approved prior to the employee working such overtime. Furthermore, valid rental agreements should be kept on file for all employees who rent housing from the municipality.

The status of the quality of financial statements submitted for audit has improved although material misstatements were not prevented or detected by the municipality’s internal controls. This is due to lack of technical expertise on the part of municipal officials and over-reliance on consultants.

There has been a slight improvement in the controls within the IT governance framework. This is evidenced by the improvement in controls over backups, valid formal user access requisitions and use of valid usernames. Although financial health remained stable, there were concerns regarding the debt-collection period, creditor-payment period and budget management as unauthorised expenditure was incurred in certain expenditure votes.

Key controls and root causes

The overall improvement in the key controls was due to the municipality improving its leadership controls and financial and performance management controls. The municipality should strengthen the following controls to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Record management
- Regular financial and performance reports that are validated
- Monitoring compliance with key legislation.

The council and management should address the root causes of poor audit outcomes and inadequate controls as follows:

- Appropriate documentation should be kept on file and provided when supporting reported amounts.
- Insist on regular financial and performance reports that are reviewed for validity, accuracy and completeness.
- Checklist for monitoring of compliance to be presented at monthly management meetings.

Impact of key role players on audit outcomes

We did not meet with the mayor because of political instability. We met with the accounting officer six times during the financial year and these interactions had some impact on the audit outcomes. The reason for our assessment is the improvement in audit outcomes.

The accounting officer undertook to fully implement the previous year’s commitments to improve the audit outcomes on supply chain management, predetermined objectives and financial statements.
1.28 Matzikama Municipality

The statistics reflected in these graphics were sourced from the 2011 census (STATS SA) and are not information collated or audited by the AGSA. The colours of the legends used for these census graphics do not have the same meaning as those used in the rest of this report.

Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>67,147</td>
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<td></td>
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<td>2001</td>
<td>54,199</td>
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<tr>
<td>2011</td>
<td>43,658</td>
<td></td>
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</tr>
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</table>

Age

<table>
<thead>
<tr>
<th>Year</th>
<th>0-14</th>
<th>15-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
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<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Male/Female

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2001</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>2011</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

Households

<table>
<thead>
<tr>
<th>Year</th>
<th>Average household size</th>
<th>Average dwelling type per no. of households</th>
<th>Average household income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>3.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td>3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>3.4</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Basic services

- **89%** of the households have access to electricity
  - 2011: 89%
  - 2001: 81%
  - 1996: 76%

- **91%** of the households have access to piped water
  - 2011: 91%
  - 2001: 85%
  - 1996: 88%

- **70%** of the households have access to toilet facilities
  - 2011: 70%
  - 2001: 76%
  - 1996: 68%

Education

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher education</th>
<th>GR12</th>
<th>No schooling</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>20%</td>
<td></td>
<td>6%</td>
</tr>
<tr>
<td>2001</td>
<td>11%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>2011</td>
<td>8%</td>
<td>7%</td>
<td>6%</td>
</tr>
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</table>

Labour

<table>
<thead>
<tr>
<th>Year</th>
<th>Employed</th>
<th>Unemployed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>88%</td>
<td>12%</td>
</tr>
<tr>
<td>2001</td>
<td>83%</td>
<td>17%</td>
</tr>
<tr>
<td>2011</td>
<td>86%</td>
<td>14%</td>
</tr>
</tbody>
</table>

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

Stagnation in audit outcome

- 2012-13: Unqualified with findings
- 2011-12: Unqualified with findings
- 2010-11: Unqualified with findings

Drivers of key controls improving

- Leadership
  - Effective leadership
  - Oversight responsibility
  - Policies and procedures
  - Action plans
  - IT governance
- Financial and performance management
  - Proper record keeping
  - Processing and reconciling controls
  - Reporting
  - Compliance
  - IT system controls
- Governance
  - Risk management
  - Internal audit
  - Audit Committee

Assurance levels should be improved

- Senior management: Provides some assurance
- Municipal manager: Provides some assurance
- Mayor: Provides no assurance
- Internal audit: Provides some assurance
- Audit committee: Provides no assurance
- Municipal council: Provides no assurance
- MPAC: Not established

Progress made in addressing risk areas

- Supply chain management
- Quality of performance reports
- Human resource management
- Quality of submitted financial statements
- Information technology controls
- Financial health

Root causes to be addressed

- Slow response to messages:
  Owing to ineffective review and monitoring, the action plan to address prior year audit findings was not implemented in a timely manner.
- Lack of consequences:
  Appropriate consequences are not adequately enforced when officials do not adhere to their job requirements and comply with the relevant laws and regulations.

Status of key commitments by the mayor

No commitments have been received from the mayor in the current year
Stagnation in audit outcome

The stagnation in the audit outcomes of the municipality was caused by the instability in key posts at the municipality. Both the municipal manager and chief financial officer left soon after year-end.

The municipality again employed consultants to prepare financial statements for audit at a cost of R2 819 786 (2012: R 358 275).

Six key risk areas

The quality of the financial statements and the annual performance report has not improved due to the ineffective review thereof by management prior to submission to audit.

Progress has been made in addressing the key risk areas of supply chain management and human resource management in that fewer findings had been reported than in the prior year.

The review of the financial indicators showed ineffective cash flow management due to a mismatch between the debt-collection period and creditor-payment period. As a result, additional loans were incurred to fund the municipality’s activities.

Key controls and root causes

There has been limited improvement in key controls because IT control deficiencies and governance weaknesses have only been partially addressed. The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Leadership should ensure that they respond to and address reported audit findings in a timely manner by reviewing and monitoring the implementation of action plans to avoid repeat findings. The action plan should be monitored on a regular basis, with corrective action taken when recommendations are not implemented.
- The municipality should implement effective human resource management to ensure that all key vacancies are filled with adequate and sufficiently skilled officials whose performance is monitored, while enforcing appropriate consequences when officials do not comply with the relevant laws and regulations.
- The political and administrative leadership of the municipality should insist on regular financial statements and performance reports whose credibility should be confirmed by the audit committee with the assistance of internal audit.
- Management should furthermore formulate compliance checklists which detail the compliance requirements and regularly monitor the functioning of the municipality against these checklists.
- Leadership oversight of reporting processes should be strengthened.
- The audit committee should be strengthened through training.

Impact of key role players on audit outcomes

For improved audit outcomes, assurance levels should be enhanced. Stability at the level of accounting officer and senior management should be instituted as soon as possible. The audit committee’s efforts should be directed towards the functions for which the committee was constituted. A key aspect of this is regular communication with council regarding their work.

We did not meet with the mayor during the financial year. In the forthcoming year the internal audit unit will continue to conduct key control reviews and external audit will meet with the leadership quarterly to assess progress towards clean administration.
1.29 Saldanha Bay Municipality

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General report on the audit outcomes of the Western Cape Local Government for 2012-13

## Stagnation in audit outcome

<table>
<thead>
<tr>
<th>Year</th>
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<th>Findings</th>
</tr>
</thead>
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<tr>
<td>2012-13</td>
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<tr>
<td>2011-12</td>
<td>Unqualified with findings</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>Unqualified with findings</td>
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## Drivers of key controls not improving

<table>
<thead>
<tr>
<th>Key Control Area</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership</td>
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</tr>
<tr>
<td>Financial and performance management</td>
<td>In progress</td>
</tr>
<tr>
<td>Governance</td>
<td>Not implemented</td>
</tr>
</tbody>
</table>

### Drivers of key controls not improving

- Effective leadership
- Oversight responsibility
- HR management
- Policies and procedures
- Action plans
- IT governance

### Assurance levels should be improved

<table>
<thead>
<tr>
<th>Role</th>
<th>Level of Assurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Municipal manager</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Mayor</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Internal audit</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Audit committee</td>
<td>Provides some assurance</td>
</tr>
<tr>
<td>Municipal council</td>
<td>Provides limited/no assurance</td>
</tr>
<tr>
<td>MPAC</td>
<td>Not established</td>
</tr>
</tbody>
</table>

## No progress made in addressing risk areas

<table>
<thead>
<tr>
<th>Risk Area</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply chain management</td>
<td>Implemented</td>
</tr>
<tr>
<td>Quality of performance reports</td>
<td>Implemented</td>
</tr>
<tr>
<td>Human resource management</td>
<td>Implemented</td>
</tr>
<tr>
<td>Quality of submitted financial reports</td>
<td>Implemented</td>
</tr>
<tr>
<td>Information technology controls</td>
<td>Implemented</td>
</tr>
<tr>
<td>Financial health</td>
<td>Implemented</td>
</tr>
</tbody>
</table>

## Root causes to be addressed

- Lack of consequences for poor performance and transgressions.
- Items reported in the prior year for financial reporting, the report on predetermined objectives and SCM recurred in the current financial year. This was as a result of prior year action plans not being implemented and follow-up actions not taken against relevant individuals responsible for implementing corrective actions in the areas of financial reporting, SCM and the report on predetermined objectives.
- Key officials lacking minimum competencies and skills:
- The key position of head of performance management was vacant and an official without the necessary skills and experience was acting in this position during the year under review.

## Status of key commitments by the mayor

- The first draft for the security policy will be submitted to the ICT committee for review at the end of May 2013.
- An IT governance framework is being formulated. The aim is to have a first draft by October 2013.
- Directors will be requested to provide corrective measures for all KPIs not achieved.
- Compliance checks for SCM deviations will be done and this remains a standing point on the agenda of SCM meetings.

## Compliance checks for SCM deviations

- A detailed action plan to address findings on SCM, the report on predetermined objectives and weaknesses in financial reporting is in the process of being drafted for immediate implementation.
Current year audit outcome: Unqualified with findings

Stagnation in audit outcome

There has been no movement in the audit outcome as the municipal leadership was unable to make significant progress in addressing the internal control deficiencies identified in the audit of the financial statements and predetermined objectives, while there continues to be non-compliance with laws and regulations governing supply chain management.

The municipality significantly reduced its reliance on consultants to assist them with the preparation of financial statements submitted for audit.

Six key risk areas

No progress was made in addressing risk areas within the municipality. The quality of the financial statements submitted for audit remains a concern given the extent of material misstatements identified and corrected during the audit. This was as a result of inadequate action plans to address the related internal control deficiencies despite inputs from the AGSA to improve the action plan.

Even though the municipality corrected the material misstatement in respect of the usefulness of reported performance, they were not able to correct all material misstatements relating to the reliability of reported performance information to ensure consistency and accuracy thereof.

The outcome for supply chain management has regressed because the municipality failed to comply fully with the legislative requirements for procurement of goods and services.

Key controls and root causes

The overall deterioration in key controls was due to management’s failure to establish adequate leadership oversight and to effective monitor implementation of the action plan to address internal control deficiencies. The municipality should also focus on filling key management positions timeously and establishing appropriate policies and procedures governing predetermined objectives and must enforce appropriate consequences when officials do not comply with the applicable laws and regulations.

The municipality did not prepare regular and accurate financial statements and report on predetermined objectives, supported by reliable supporting documentation, and further did not effectively review compliance with laws and regulations, which resulted in supply chain management findings. The municipality also failed to address the identified internal control deficiencies reported in the prior year.

The following controls should be strengthened to create a control environment that supports reliable financial and performance reporting and compliance with legislation:

- Develop, implement and monitor a credible action plan that addresses both the reported audit findings and internal control deficiencies in a timely manner.
- Implement effective human resource management to ensure that all key vacancies are filled with adequate and sufficiently skilled officials whose performance is monitored, while enforcing appropriate consequences when officials fail to comply with the applicable laws and regulations.
- Develop and monitor the implementation of standard operating procedures that are fully documented for performance reporting purposes.
- Monitor the preparation of regular financial and performance reports, supported by reliable information, and take steps to improve the credibility of these reports with the assistance of internal audit and the audit committee.
- Formulate compliance checklists which detail the compliance requirements for each threshold for the procurement of goods and services.

Impact of key role players on audit outcomes

For better audit outcomes, assurance levels should be improved by implementing the recommendations of external and internal audit as part of a credible action plan and directing the work of the audit committee towards evaluating the report on predetermined objectives and supply chain management.

We met with the mayor only once during the financial year but the interaction had no impact on the audit outcome. The mayor and council should play a more effective role in overseeing the implementation and monitoring of the action plan and should monitor progress on commitments made by senior management.
1.30 Swartland Municipality

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Continuity in audit outcome

2012-13
Unqualified with no findings

2011-12
Unqualified with no findings

2010-11
Unqualified with no findings

Drivers of key controls not improving

Leadership
- Effective leadership
- Oversight responsibility
- HR management
- Policies and procedures
- Action plans
- IT governance

Financial and performance management
- Financial and performance management
- Risk management
- Internal audit
- Audit committee

Governance
- Compliance
- IT governance

Root causes to be addressed

Slow response to messages: Leadership should establish formal processes to monitor the performance of IT vendors against agreed service level agreements.
Management should establish processes to ensure that user access and the activities of system administrators are reviewed and that environmental controls are adequately maintained.

Lack of skills or resources: Leadership should establish standard operating procedures to guide operations pertaining to the collection, coordination, compilation and disclosure of performance information to ensure the quality of reported performance information.

Assurance levels should be maintained

Senior management
Provides assurance

Municipal manager
Provides assurance

Mayor
Provides assurance

Internal audit
Provides assurance

Audit committee
Provides assurance

Municipal council
Provides assurance

MPAC
Provides some assurance

Status of key commitments by the mayor

All commitments relating to the financial statements, financial controls and compliance with laws and regulations have been implemented.
Management committed to develop standard operating procedures for performance information management.

Commitments to improve IT controls are in the process of being implemented.
Standard operating procedures relating to monitoring of performance of IT vendors and the review of user access and the activities of system administrators are in progress.

General report on the audit outcomes of the Western Cape Local Government for 2012-13
Current year audit outcomes: ■ Unqualified with no findings

Sustained clean in audit outcome

The municipality maintained its unqualified with no findings status by having robust internal control measures in place and leadership taking responsibility for the maintenance thereof. Although consultants were again engaged to assist with financial reporting, they were only used for a technical review function on the financial statements. No concerns were raised regarding the use of consultants by the municipality.

Six key risk areas

The municipality maintained good results in respect of supply chain management, human resource management, the quality of the submitted financial statements and financial health.

The quality of the annual performance report regressed and material misstatements in the annual performance report had to be corrected by the municipality. Although this does not impact the audit outcome of the municipality, actions need to be taken to ensure that material misstatements in the annual performance report are prevented and/or detected by management before submission for audit. Actions to improve IT controls are still in progress.

Key controls and root causes

The municipality addressed the root causes of findings raised in the prior year. However, a slow response to two IT-related findings resulted in these findings recurring in the 2012-13 financial year. These are still in the process of being implemented.

The following control should be strengthened to maintain a control environment that supports reliable financial and performance reporting and compliance with legislation:

• Standard operating procedures to guide the operations pertaining to the collection, coordination, compilation and disclosure of performance information.
• Formal processes to monitor the performance of IT vendors against agreed service level agreements.
• Processes to ensure that user access and the activities of system administrators are reviewed and that environmental controls are adequately maintained.

The municipal manager and senior management should address the remaining root causes as follows:

• Leadership should establish standard operating procedures to guide the operations pertaining to the collection, coordination, compilation and disclosure of performance information.
• Leadership, with the assistance of the IT manager, should establish formal processes to monitor the performance of IT vendors against agreed service level agreements.
• Management should establish processes to ensure that user access and the activities of system administrators are reviewed and that environmental controls are adequately maintained.

Impact of key role players on audit outcomes

For continued positive audit outcomes, assurance levels should be maintained by the municipal manager and senior management.

We met with the executive mayor five times during the financial year and these interactions had a significant impact on the audit outcomes. The reason for our assessment is the impact that the mayor had on the controls of the municipality as well as the status and impact of prior commitments.

Although a municipal public accounts committee had been established, it has not played a role in ensuring that the prior year commitments are addressed.
Annexure 1: Municipalities’ audit outcomes, areas qualified and findings on predetermined objectives, non-compliance and specific focus areas

<table>
<thead>
<tr>
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### General report on the audit outcomes of the Western Cape Local Government for 2012-13

#### Financial audits

**Local municipalities (continued)**

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**Municipal entities**

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**Consolidation audits**

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**Legend**

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- **Financial statement qualification areas**
- **Findings on predetermined objectives**
- **Findings on non-compliance**
- **Findings on specific focus areas**
- **Unauthorised, irregular as well as fruitless and wasteful expenditure**

**Legend (Audit outcomes)**

- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimer with findings
- Audit not finalised at legislated date
- New audit

**Legend (Findings)**

- Addressed (A)
- New (N)
- Repeat (R)
- Financial health findings
- Material unfavourable indicators
- Unfavourable indicators
- No material unfavourable indicators

**Legend (Expenditure)**

- Improved
- Regressed
Annexure 2: Municipalities’ five-year audit opinions

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**Local municipalities**

**Financial audits**

**Municipal entities**

- Cape Town International Convention Centre
- Central Karoo Economic Development Agency

**Consolidation audits**

**Metropolitan municipalities**

- City of Cape Town

**District municipalities**

- Central Karoo District

*General report on the audit outcomes of the Western Cape Local Government for 2012-13*
Annexure 3: Assessment of municipalities’ key controls at the time of the audit

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**Legend**

- **Good**
- **In progress**
- **Intervention required**
- **Improved**
- **Unchanged**
- **Regression**
- **Financial**
- **Performance**
- **Compliance**

General report on the audit outcomes of the Western Cape Local Government for 2012-13
GLOSSARY OF TERMS, ACRONYMS AND ABBREVIATIONS
Glossary of key terminology used in this report

**Adverse audit opinion** (on financial statements)

The financial statements contain misstatements (see ‘misstatement’) that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.

**Asset** (in financial statements)

Any item belonging to the auditee, including property, infrastructure, equipment, cash as well as debt due to the auditee.

**Assurance / assurance provider**

As used in this report, a positive declaration that is intended to give confidence in the credibility of financial and performance reports tabled by auditees as well as confidence in the extent to which auditees have adhered to applicable legislation.

Through the audit report, we provide assurance on the credibility of auditees’ financial and performance information as well as their compliance with legislation.

There are role players in local government, other than the external auditors, that are also required to contribute to assurance and confidence by ensuring that adequate internal controls are implemented to achieve auditees’ financial, service delivery and compliance objectives. Such assurance providers include senior auditee officials, various committees (for example, municipal public accounts, performance and audit committees) and internal audit units.

Other role players that should provide assurance further include oversight structures and coordinating or monitoring departments (which are defined elsewhere in this glossary).

**Capital budget**

The estimated amount planned to be spent by auditees on capital items in a particular financial period; for example, fixed assets such as property, infrastructure and equipment with long expected lives and that are required to provide services, produce income or support operations.

**Cash flow** (in financial statements)

The flow of money from operations: incoming funds are revenue (cash inflow) and outgoing funds are expenses (cash outflow).

**Clean audit**

The financial statements receive a financially unqualified audit opinion and there are no material findings on the quality of the annual performance report or non-compliance with legislation.

**Commitments from role players**

Initiatives and courses of action communicated to us by role players in local government aimed at improving the audit outcomes.

**Conditional grants**

Money transferred from national government to auditees, subject to certain services being delivered or on compliance with specified requirements.
**Consolidated financial statements**

Financial statements that reflect the combined financial position and results of a municipality and those of the municipal entities under its control.

**Creditors**

Persons, companies or organisations that the auditee owes money to for goods and services procured from them.

**Current assets (in financial statements)**

These assets are made up of cash and other assets, such as inventory or debt for credit extended, which will be traded, used or converted into cash in less than 12 months. All other assets are classified as non-current, and typically include property, infrastructure and equipment as well as long-term investments.

**Disclaimer of opinion (on financial statements)**

The auditee provided insufficient evidence in the form of documentation on which we could base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements.

**Financial and performance management (as one of the drivers of internal control)**

The performance of internal control and monitoring-related tasks by management and other employees to achieve the financial management, reporting and service delivery objectives of the auditee.

These controls include the basic daily and monthly controls for processing and reconciling transactions, preparing regular and credible financial and performance reports as well as reviewing and monitoring compliance with legislation.

**Financially unqualified audit opinion (on financial statements)**

The financial statements contain no material misstatements (see ‘material misstatement’). Unless we express a clean audit opinion, findings have been raised on either the annual performance report or non-compliance with legislation, or both these aspects.

**Fruitless and wasteful expenditure**

Expenditure that was made in vain and could have been avoided had reasonable care been taken. This includes penalties and interest on the late payment of creditors or statutory obligations as well as payments made for services not utilised or goods not received.

**Going concern**

The presumption that an auditee will continue to operate in the near future, and will not go out of business and liquidate its assets. For the going concern presumption to be reasonable, the auditee must have the capacity and prospect to raise enough financial resources to stay operational.

**Governance (as one of the drivers of internal control)**

The governance structures (audit committees) and processes (internal audit and risk management) of an auditee.
**Human resource (HR) management**

The management of an auditee’s employees, or human resources, which involves adequate and sufficiently skilled people as well as the adequate management of their performance and productivity.

**Information technology (IT)**

The computer systems used for capturing and reporting financial and non-financial transactions.

**IT controls**

Computer-related controls ensure the confidentiality, integrity and availability of state information, enable service delivery and promote national security.

**IT governance**

The leadership, organisational structures and processes which ensure that the auditee’s IT resources will sustain its strategies and objectives.

**IT security management**

The controls preventing unauthorised access to auditee networks, operating systems and application systems that generate financial information.

**IT service continuity**

The processes managing the availability of hardware, system software, application software and data to enable auditees to recover or re-establish information system services in the event of a disaster.

**IT user access management**

The procedures through which auditees ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the information systems.

**Internal control / key controls**

The process designed and implemented by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the auditee’s objectives with regard to the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable legislation.

It consists of all the policies and procedures implemented by auditee management to assist in achieving the orderly and efficient conduct of business, including adhering to policies, safeguarding assets, preventing and detecting fraud and error, ensuring the accuracy and completeness of accounting records, and timeously preparing reliable financial and service delivery information.

**Irregular expenditure**

Expenditure incurred without complying with applicable legislation.

**Key drivers of internal control**

The three components of internal control that should be addressed to improve audit outcomes, namely leadership, financial and performance management, and governance (which are defined elsewhere in this glossary.)

**Leadership** (as one of the drivers of internal control)

The administrative leaders of an auditee, such as municipal managers and senior management.
Material finding (from the audit)

It can also refer to the political leadership (including the mayor and the council) or the leadership in the province (such as the premier).

Material misstatement (in financial statements or annual performance reports)

An audit finding on the quality of the annual performance report or non-compliance with legislation that is significant enough in terms of either its amount or its nature, or both these aspects, to be reported in the audit report.

Material misstatement (in financial statements or annual performance reports)

An error or omission that is significant enough to influence the opinions or decisions of users of the reported information. Materiality is considered in terms of either its rand value or the nature and cause of the misstatement, or both these aspects.

Misstatement (in financial statements or annual performance reports)

Incorrect or omitted information in the financial statements or annual performance report.

Net current liability

The amount by which the sum of all money owed by an auditee and due within one year exceeds the amounts due to the auditee within the same year.

Net deficit (incurred by auditee)

The amount by which an auditee’s spending exceeds its income during a period or financial year.

Operational budget / operating budget

A short-term budget, usually prepared annually, based on estimates of income and expenses associated with the auditee’s operations, such as service delivery costs, administration and salaries.

Oversight structures as well as coordinating and monitoring departments

Oversight structures consist of the provincial legislatures, the portfolio committees on local government and the National Council of Provinces.

Coordinating or monitoring departments include the Department of Performance Monitoring and Evaluation, the National Treasury and provincial treasuries, the national and provincial departments of cooperative governance as well as the offices of the premiers.

Property, infrastructure and equipment (in financial statements)

Assets that physically exist and are expected to be used for more than one year, including land, buildings, leasehold improvements, equipment, furniture, fixtures and vehicles.

Qualified audit opinion (on financial statements)

The financial statements contain material misstatements in specific amounts, or there is insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.

Receivables / debtors (in financial statements)

Money owed to the auditee by persons, companies or organisations that have procured goods or services from the auditee.
Reconciliation (of accounting records)

The process of matching one set of data to another; for example, the bank statement to the cheque register, or the accounts payable journal to the general ledger.

Root causes (of audit outcomes)

The underlying causes or drivers of audit findings; in other words, why the problem occurred. Addressing the root cause helps ensure that the actions address the real issue, thus preventing or reducing the incidents of recurrence, rather than simply providing a one-time or short-term solution.

Supply chain management (SCM)

Procuring goods and services through a tender or quotation process and monitoring the quality and timeliness of the goods and services provided.

Unauthorised expenditure

Expenditure that was in excess of the amount budgeted or allocated by government to the auditee, or that was not incurred in accordance with the purpose for which it was intended.
### Acronyms and abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AFS</td>
<td>annual financial statements</td>
</tr>
<tr>
<td>AG</td>
<td>auditor-general (the person)</td>
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<td>AGSA</td>
<td>Auditor-General of South Africa (the institution)</td>
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<tr>
<td>APAC</td>
<td>Association of Public Accounts Committees</td>
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<td>APP</td>
<td>annual performance plan</td>
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<td>BCP</td>
<td>business continuity plan</td>
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<td>CEO</td>
<td>chief executive officer</td>
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<td>CFO</td>
<td>chief financial officer</td>
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<td>CGICTPF</td>
<td>corporate governance of information and communication technology policy framework</td>
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<td>CoGTA</td>
<td>Department of Cooperative Governance and Traditional Affairs</td>
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<td>CWP</td>
<td>community works programme</td>
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<td>DBSA</td>
<td>Development Bank of Southern Africa</td>
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<td>DM</td>
<td>district municipality</td>
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<td>DoRA</td>
<td>Division of Revenue Act</td>
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<tr>
<td>DPME</td>
<td>Department of Performance Monitoring and Evaluation</td>
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<td>DPSA</td>
<td>Department of Public Service and Administration</td>
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<td>DRP</td>
<td>disaster recovery plan</td>
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<tr>
<td>FMPPPI</td>
<td>framework for managing programme performance information</td>
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<td>GITO</td>
<td>government information technology officer</td>
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<td>GRAP</td>
<td>Generally Recognised Accounting Practice</td>
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<td>HR</td>
<td>human resources</td>
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<td>ICT</td>
<td>information and communication technology</td>
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<td>Abbreviation</td>
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<tr>
<td>IDP</td>
<td>integrated development plan</td>
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<td>IGR</td>
<td>inter-governmental relations</td>
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<td>IT</td>
<td>information technology</td>
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<td>LGTAS</td>
<td>local government turnaround strategy</td>
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<td>LM</td>
<td>local municipality</td>
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<td>MAT</td>
<td>municipal assessment tool</td>
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<tr>
<td>ME</td>
<td>municipal entity</td>
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<tr>
<td>MEC</td>
<td>member of the executive council</td>
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<td>metro</td>
<td>metropolitan municipality</td>
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<td>MIG</td>
<td>municipal infrastructure grant</td>
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<td>MIS</td>
<td>management information system</td>
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<td>MISA</td>
<td>Municipal Infrastructure Support Agent</td>
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<td>MPAC</td>
<td>municipal public accounts committee</td>
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<td>MPAT</td>
<td>management performance assessment tool</td>
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<td>MSA</td>
<td>Municipal Systems Act, 2000 (Act No. 32 of 2000)</td>
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<td>MSIG</td>
<td>municipal systems improvement grant</td>
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<td>MTEF</td>
<td>medium-term expenditure framework</td>
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<td>MTREF</td>
<td>medium-term revenue and expenditure framework</td>
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<td>NCOP</td>
<td>National Council of Provinces</td>
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<td>OCA</td>
<td>Operation clean audit</td>
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<td>PAC</td>
<td>public accounts committee</td>
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<td>PDO</td>
<td>predetermined objective</td>
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<td>Abbreviation</td>
<td>Description</td>
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<tr>
<td>PFMA</td>
<td>Public Finance Management Act, 1999 (Act No. 1 of 1999)</td>
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<tr>
<td>PMS</td>
<td>performance management system</td>
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<tr>
<td>Rxx b</td>
<td>billions of rand</td>
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<tr>
<td>Rxx k</td>
<td>thousands of rand</td>
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<tr>
<td>Rxx m</td>
<td>millions of rand</td>
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<tr>
<td>SALGA</td>
<td>South African Local Government Association</td>
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<td>SCM</td>
<td>supply chain management</td>
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<td>SCOA</td>
<td>standard chart of accounts</td>
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<td>SDBIP</td>
<td>service delivery and budget implementation plan</td>
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<tr>
<td>SLA</td>
<td>service level agreement</td>
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