

# AUDIT PERSPECTIVES

## INCOMING ADMINISTRATION MUST DEMONSTRATE LEADERSHIP



In the year of local government elections, we must take advantage of the opportunity of the incoming administration to advocate for improved management of municipalities. The cohort of leaders have a huge responsibility to turn around the current undesirable state of affairs, for the benefit of all citizens who depend on municipalities for reliable service delivery.

Recently, Auditor-General Tsakani Maluleke simultaneously tabled the 2019-20 consolidated general report for local government audit outcomes as well as the results of a real-time audit on how municipalities spent on covid-19-related initiatives. The latter is the third special audit report on government's financial management of the relief funding made available as a response to the pandemic.

Both these reports reveal a serious lack of good governance and mismanagement at our municipalities. The progressive and sustainable improvements required to prevent accountability failures, or to deal with them appropriately when they do occur, do not exist. The impact of compromised control environments

due to the lack of embedding preventative controls, as well as poor financial and performance management, was even more pronounced, in the midst of a pandemic – when vulnerable citizens relied more extensively on local government support.

Equally, the two reports reflect a need for ethical and accountable leadership that will drive the change required to ensure that governance fundamentals are strengthened to enable strong financial and performance management disciplines at our municipalities. Which would place the local government sphere in a better position to meet its obligations of providing quality services to its citizens.

Where there are pockets of municipalities, 27 out of 257 in the year under review, that have continued to drive good governance and positive audit outcomes. Their efforts are commendable and exemplary. Therefore, they would do well to share their good practices in the local government environment where most municipalities have largely failed to maintain their systems.

We have always been of the firm view that the responsibility to turn around local government is purely in the hands of its leadership. That is why we themed our latest general report Ethical and accountable leadership should drive the required change. This is to say that we need the incoming leadership to focus on building a strong administration that is fit for purpose, qualified and professional to run municipalities.

The very same leadership should provide the space for the administration to do their work, effectively oversee and hold them accountable for the decisions they make.

The amendments to the Public Audit Act were initiated from a gap in leadership accountability, as a complementary process to the existing consequence management processes, that ensure administrative leadership perform their role as expected and as stated in legislation. In our second year of implementing the amended Public Audit Act, 96 Material Irregularity (MI) notifications were issued by 11 June 2021.

Twenty one (21) of the MI notifications issued by the AG, relate to disclaimed municipalities which in auditing is the worst opinion to be obtained. Amongst those, are municipalities that have been disclaimed for over 12 years meaning that for 12 financial years the municipality did not maintain full and proper records of the financial affairs i.e. evidence of where the funds received were spent as required by section 62 of the MFMA. Leadership at these municipalities could not indicate whether funds went towards the service delivery mandate that they are responsible to carry out. The material irregularity (MI) notifications were therefore issued on the basis that there is potential substantial harm caused to their institutions. Incoming leadership should prioritise implementation of solutions to address these disclaimers and we will monitor and report on their implementation.

The success of our amended powers will become evident when a culture of responsiveness, consequences, good governance and accountability

becomes the norm rather than the ideal at all municipalities. Through implementing the PAA we have experienced instances where leadership have taken appropriate action in correcting the state of affairs, however where those leading our municipalities take no action, we shall endeavour to enforce our amended powers.

There remains many instances where we observed leadership instability (both at political and administrative level), poor oversight by councils that often lead to significant financial

health problems, protests and strikes, a lack of consequences, and short term interventions at a high cost, that were not effective.

It is therefore our belief, that a critical component in turning around the state of local government lies in responsive administrative municipal leaders and effective oversight provided at political level, supported by their provincial leadership, that are fully committed to turning around local government and moving it towards the capable, efficient, ethical and development-oriented institutions envisaged by the Constitution.

With the incoming administration, there is opportunity to address the leadership's willingness to improve. Let us take this opportunity and all play our roles. Ethical and accountable leadership should drive the desired change.

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AGSA 2019-20 MFMA consolidated General Report and Third Special Report on Covid-19 spending is available on [www.agsa.co.za](http://www.agsa.co.za)



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