

# AUDIT PERSPECTIVES

ACCOUNTABILITY IS OUR PRIORITY, IMPLEMENTING THE PAA



## Local government requires all levels of government to work with urgency to improve lived experiences of South Africans

**T**he public reaction to the audit outcomes of local government, should not just be met with disappointment, but energise all of us to action in support of municipalities to deliver better services to citizens. This follows our release of the 2022-23 consolidated general report on the audit outcomes of local government.

In it, we call on all roleplayers in the accountability ecosystem to urgently and deliberately work towards instilling a culture of performance, accountability, transparency and institutional integrity to ultimately result in a better life for the people of South Africa.

This call comes at a time when we, again, reported little change in municipal outcomes despite commitments by roleplayers for

meaningful improvements. It comes at a time when the 7th national administration – a critical ecosystem roleplayer – settles in, and we urge them to also put the state of our local government at the top of their agenda to help improve the living conditions of citizens.

Local government is instrumental in providing communities with essential services such as clean water, proper sanitation, reliable electricity, effective waste management, and well-maintained roads and municipal infrastructure. Good governance is key to ensuring these services are provided effectively. We welcome the tone set by President Cyril Ramaphosa during the opening of Parliament and national government's decision to prioritise local government. This is a significant and encouraging development that we must all welcome, rolling up our sleeves and effectively playing our part as stakeholders in the local government accountability ecosystem.

In last year's report, we reported on weaknesses in service delivery planning, reporting and achievement; failing municipal infrastructure; and the increasing pressure on local government finances due to a lack of careful spending, compounded by councils not paying sufficient attention to these matters. We also showcased the good work done at municipalities with clean audits; highlighted the eight metros for increased attention; and called for action to eradicate disclaimed audit opinions due to the harm that these municipalities' lack of transparency and accountability causes their residents.

We urged the newly elected representatives to intensify their actions towards instilling a culture of performance, transparency and institutional integrity, and to be accountable to the communities they serve. Our call was for all

roleplayers in the accountability ecosystem to promote a culture of accountability that will transform local government and improve service delivery.

We also reflected on the instability arising from the change in local government leadership, which resulted in the new administration having little chance to influence the audit outcomes or the state of local government.

This report builds on these previous messages and call to action. Unfortunately, it paints an overall picture where there has been little change and – despite commitments made by roleplayers in the accountability ecosystem for improvement – action has been too slow and has had little impact on the lived realities of ordinary South Africans.

The trend of poor municipal audit outcomes continued in the year under review, and requires urgent attention by those charged with governance and oversight.

Only 34 municipalities (13%) obtained clean audits, and there was no meaningful improvement over the first two years of the 6th local government administration's term.

While 45 municipalities have improved their audit outcomes since 2020-21 (the end of the 5th local government administration's term), 36 have regressed.

Municipalities with clean audits, particularly those that have sustained this status over several years, are generally characterised by sound financial and performance management disciplines and perform their functions in accordance with applicable legislation. They generally manage projects well so that deficiencies are identified and rectified promptly and so that timelines, budgets and quality standards are adhered to.

The well-functioning control environment and good systems present at these municipalities form a solid foundation from which councils can prioritise further improvement in the performance and service delivery of their municipalities.

The 30 municipalities that maintained their clean audit status continue to be an example of what is possible. We encourage the eight municipalities that lost their clean audit status to swiftly address the root causes of the regressions so that they can achieve a clean audit once again.

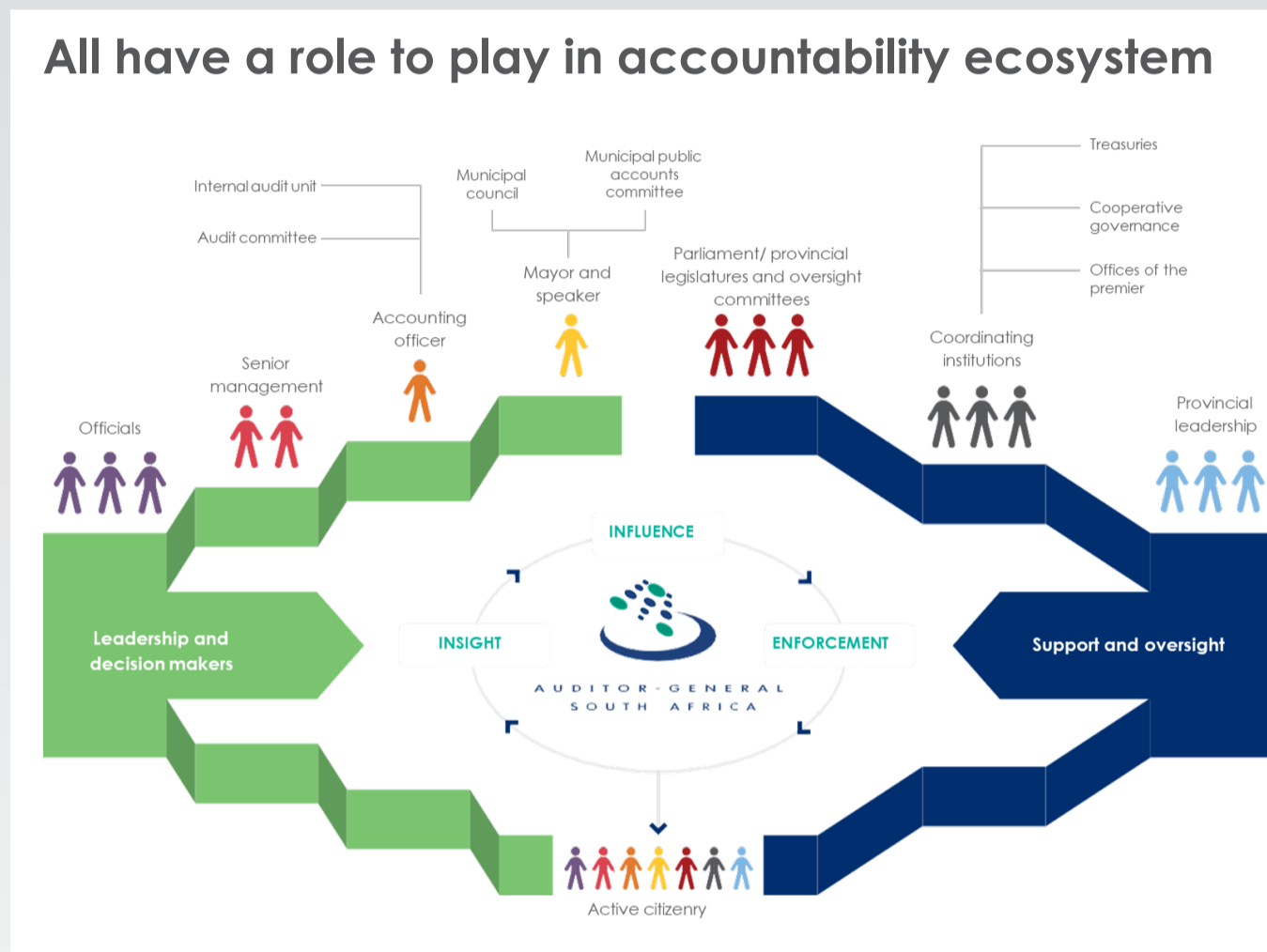
Our report also reveals that the most prevalent audit outcome – at 43% of municipalities – was an unqualified audit opinion on the financial statements with findings on performance reporting and/or compliance with key legislation. These municipalities had made little effort to move out of this category, with 77 remaining there since the end of the previous local government administration's term.

On the positive side, there were fewer municipalities with disclaimed audit opinions, which is the worst possible audit outcome. Over the administrative term, 18 municipalities – mostly in KwaZulu-Natal, Mpumalanga and North West – have moved out of this category. Fourteen municipalities received disclaimed opinions in 2022-23, including two municipalities whose audits were finalised after 31 March 2024, which was the cut-off date for this report. The improvement in the submission of financial statements from 91% in 2021-22 to 94% in 2022-23 by the legislated date is also commendable and this is one of the disciplines that must be sustained by all municipalities. The improvements were due to

accounting officers responding positively to our material irregularity notifications on this matter as well as the provincial government supporting municipalities to act on commitments made to submit financial statements on time.

As the national audit office, we are of the firm view that service delivery improvements and the responsible use of the limited funds available will only be enabled when municipalities are capable, cooperative, accountable and responsive, and when they deliver on their mandates. Municipal leadership, councils and mayors play a critical role in setting the tone for ethical behaviour, good governance and accountability, and in creating a culture that fosters trust and confidence in local government.

We therefore call on the broader accountability ecosystem – particularly councils (including mayors), legislatures, provincial leadership and coordinating institutions and their executive authorities – to work deliberately and with urgency towards a culture of performance, accountability, transparency and



institutional integrity to transform local government and improve service delivery.

We remain committed to partnering with and supporting the local government accountability ecosystem through our audits, the use of our expanded powers as granted by the Public Audit Act amendments to assist and guide all roleplayers. We trust that the insights and recommendations in our latest report will be of value in this pursuit.

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