

# // SECTION 4



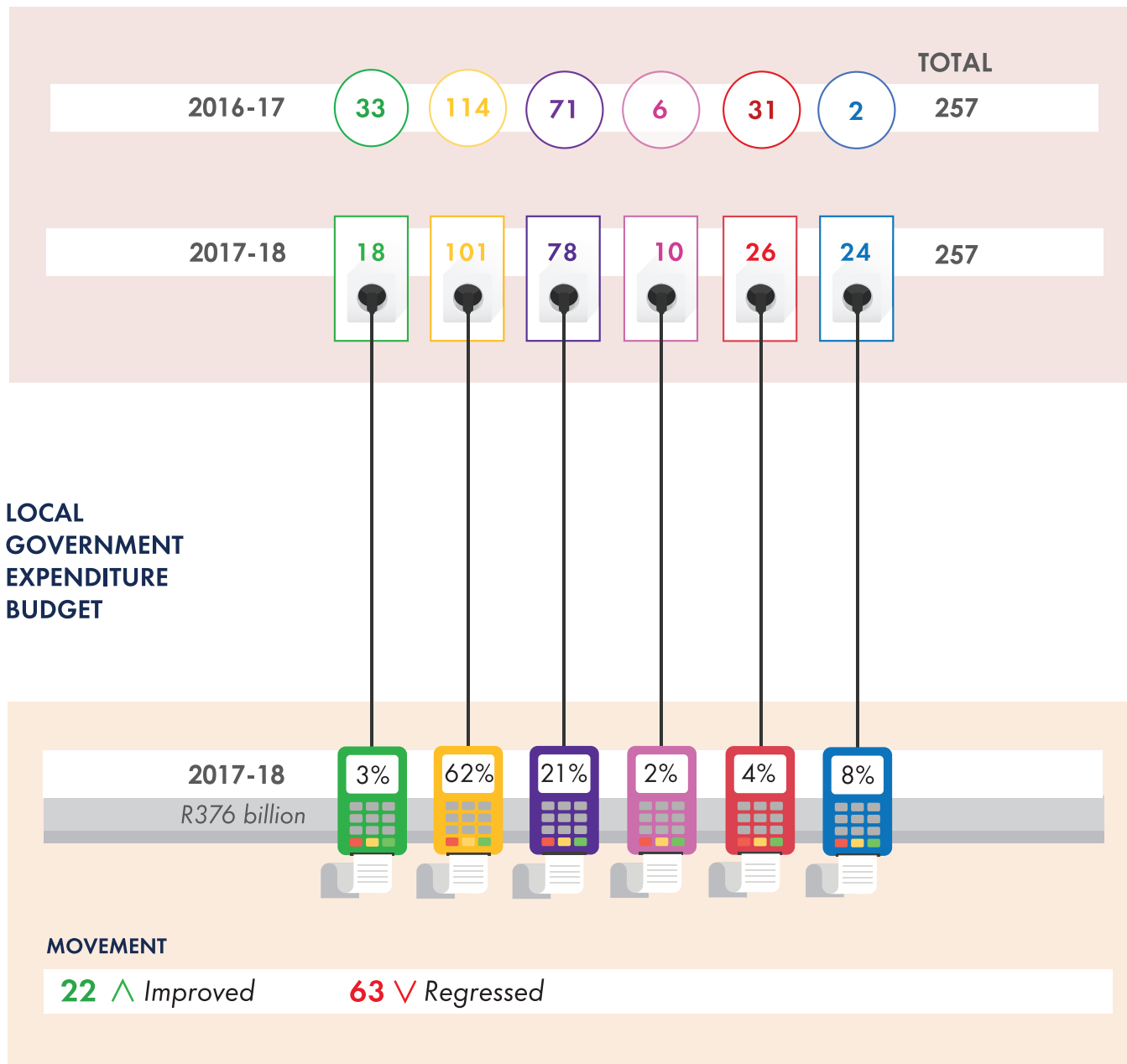
*Summary of audit outcomes*



# OVERALL AUDIT OUTCOMES



OVERALL REGRESSION  
IN AUDIT OUTCOMES



## CLEAN AUDIT MOVEMENTS



**16**  $\>$  Remained clean

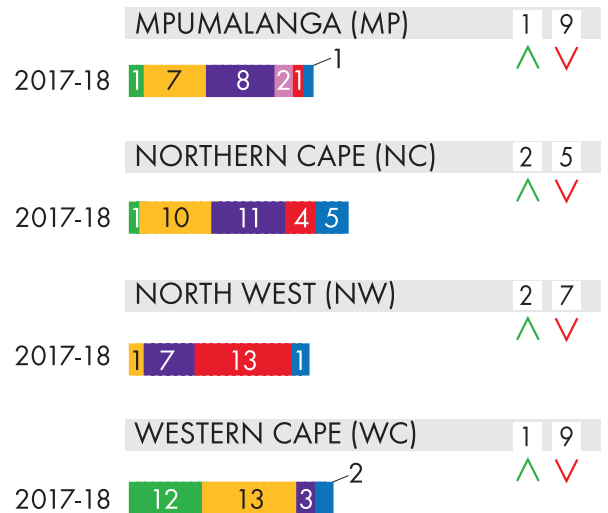
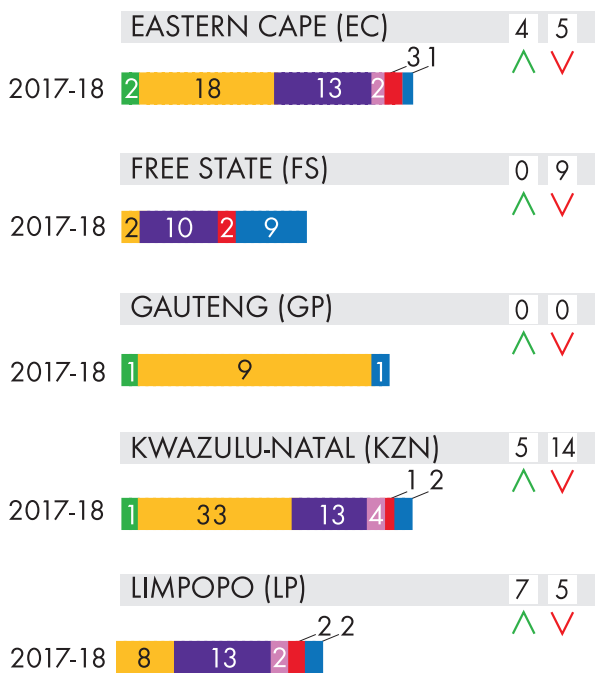
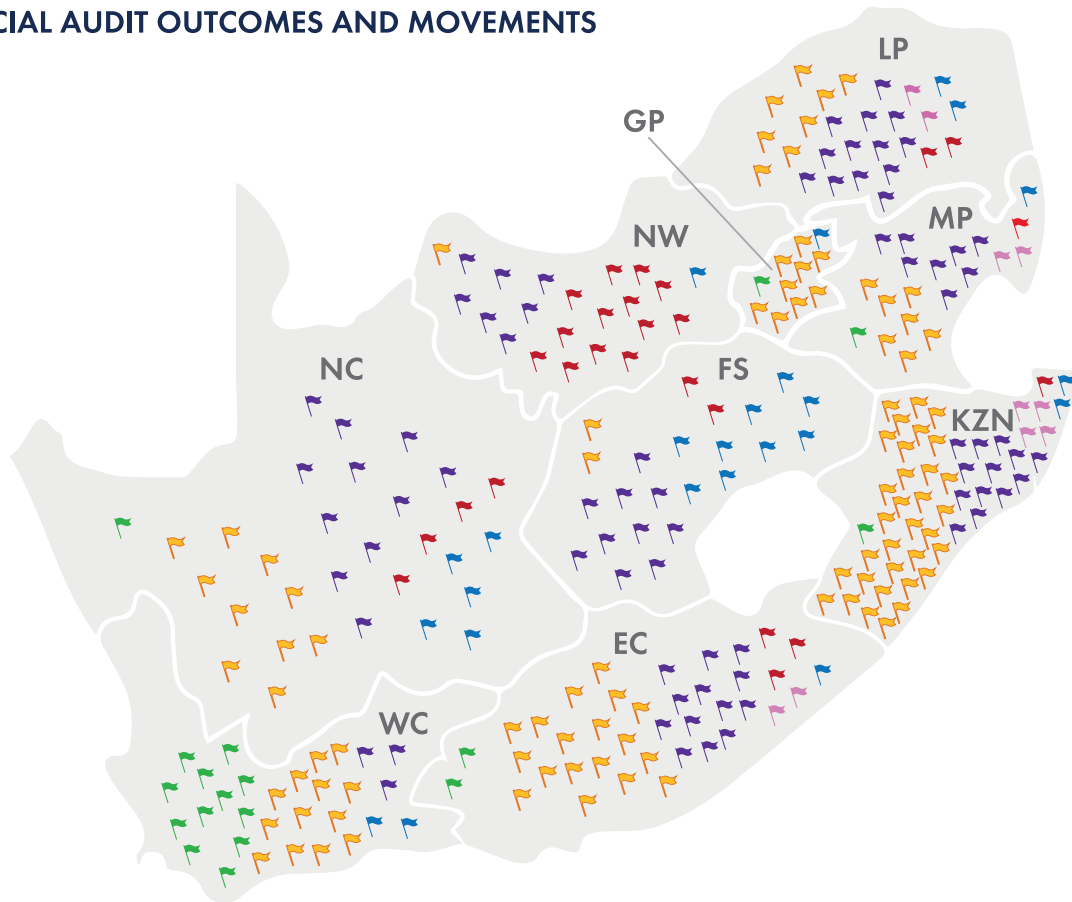
**17**  $\vee$  Regressed

**2**  $\wedge$  New clean audits

- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Outstanding audits

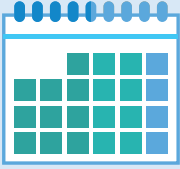


## PROVINCIAL AUDIT OUTCOMES AND MOVEMENTS



■ Unqualified with no findings  
 ■ Unqualified with findings  
 ■ Qualified with findings  
 ■ Adverse with findings  
 ■ Disclaimed with findings  
 ■ Outstanding audits

## OUTSTANDING AUDITS



Cut-off date for inclusion of the audit outcomes in this report is **31 January 2019**

### REASONS FOR **24** OUTSTANDING AUDITS

Financial statements not submitted - **8 (33%)**

Financial statements submitted late - **11 (46%)**

Delay in the audit - **5 (21%)**

### RESULTS OF **9** AUDITS SUBSEQUENTLY FINALISED BEFORE DATE OF THIS REPORT

2017-18



AUDITS SUBSEQUENTLY FINALISED AS AT 31 MARCH 2019	PROVINCE	MOVEMENT FROM PREVIOUS YEAR'S AUDIT OUTCOME	2017-18 AUDIT OUTCOMES		
			Audit opinion	Performance reports	Compliance with legislation
Sakhisizwe	EC	▶	Unqualified with findings		Findings
Lejweleputswa District	FS	▶	Unqualified with findings		Findings
Letsemeng	FS	▲	Qualified with findings		Findings
Mohokare	FS	▲	Qualified with findings		Findings
Msunduzi	KZN	▲	Adverse with findings		Findings
Richmond	KZN	▼	Adverse with findings		Findings
Thaba Chweu	MP	▲	Qualified with findings		Findings
Dikgatlong	NC	▼	Disclaimed with findings		Findings
Siyathemba	NC	▲	Qualified with findings		Findings

■ Unqualified with no findings  
 ■ Unqualified with findings  
 ■ Qualified with findings  
 ■ Adverse with findings  
 ■ Disclaimed with findings  
 ■ Outstanding audits  
 ■ Findings





# FINANCIAL STATEMENTS



REGRESSION IN QUALITY OF PUBLISHED FINANCIAL STATEMENTS



TARGET

MOVEMENT

2017-18

2016-17



Timely submission of financial statements (all municipalities)



89% (228)

90% (232)



Quality of financial statements submitted for auditing



19% (45)

23% (54)



Quality of published financial statements



51% (119)

61% (143)

**74 municipalities (32%) achieved unqualified audit opinions only because they corrected all misstatements identified during the audit**

## QUALIFICATION AREAS

(on audited financial statements)

MOVEMENT

2017-18

2016-17

Property, infrastructure, plant and equipment



30% (71)

26% (61)

Payables, accruals and borrowings



27% (62)

20% (46)

Receivables



26% (61)

24% (55)

Irregular expenditure



26% (61)

23% (54)

Expenditure



25% (59)

18% (41)

## PROVINCIAL VIEW

PROVINCE	 TIMELY SUBMISSION OF FINANCIAL STATEMENTS (all municipalities)		 QUALITY OF FINANCIAL STATEMENTS SUBMITTED FOR AUDITING		 QUALITY OF PUBLISHED FINANCIAL STATEMENTS	
	Number	Movement	Number	Movement	Number	Movement
Eastern Cape	95% (37)		13% (5)		53% (20)	
Free State	65% (15)		0% (0)		14% (2)	
Gauteng	100% (11)		30% (3)		100% (10)	
KwaZulu-Natal	100% (54)		21% (11)		65% (34)	
Limpopo	93% (25)		0% (0)		32% (8)	
Mpumalanga	85% (17)		11% (2)		42% (8)	
Northern Cape	77% (24)		8% (2)		42% (11)	
North West	91% (20)		0% (0)		5% (1)	
Western Cape	83% (25)		79% (22)		89% (25)	
<b>Total</b>	<b>89% (228)</b>		<b>19% (45)</b>		<b>51% (119)</b>	





## PERFORMANCE REPORTS



SLIGHT REGRESSION IN QUALITY OF PUBLISHED PERFORMANCE REPORTS



TARGET

MOVEMENT

2017-18

2016-17

	MOVEMENT	2017-18	2016-17	
Preparation of performance reports		97% (227)	98% (228)	<b>58 municipalities (24%) had no material findings only because they corrected all misstatements identified during the audit</b>
Quality of performance reports submitted for auditing		11% (24)	10% (23)	
Quality of published performance reports		35% (82)	38% (88)	

### FINDINGS ON PERFORMANCE REPORTS

MOVEMENT

2017-18

2016-17

	MOVEMENT	2017-18	2016-17
Performance indicators and targets not useful		55% (120)	51% (109)
Achievement reported not reliable		53% (116)	52% (112)
No underlying records or planning documents		3% (7)	6% (14)

### MOST COMMON USEFULNESS FINDINGS

**55%** Not consistent

**43%** Not well defined

**33%** Not verifiable

**25%** Not measurable

### PROVINCIAL VIEW

PROVINCE	PERFORMANCE REPORTS PREPARED		QUALITY OF PERFORMANCE REPORTS SUBMITTED FOR AUDITING		QUALITY OF PUBLISHED PERFORMANCE REPORTS	
	Number	Movement	Number	Movement	Number	Movement
Eastern Cape	100% (38)		3% (1)		29% (11)	
Free State	100% (14)		0% (0)		7% (1)	
Gauteng	100% (10)		20% (2)		50% (5)	
KwaZulu-Natal	100% (52)		12% (6)		40% (21)	
Limpopo	100% (25)		4% (1)		8% (2)	
Mpumalanga	100% (19)		11% (2)		42% (8)	
Northern Cape	81% (21)		0% (0)		27% (7)	
North West	95% (20)		0% (0)		14% (3)	
Western Cape	100% (28)		43% (12)		86% (24)	
<b>Total</b>	<b>97% (227)</b>	<b></b>	<b>11% (24)</b>	<b></b>	<b>35% (82)</b>	<b></b>





## COMPLIANCE WITH KEY LEGISLATION



INCREASE IN NON-COMPLIANCE  
FROM 85% (199) TO 92% (214)

	MOST COMMON NON-COMPLIANCE AREAS	MOVEMENT	2017-18	2016-17
	Management of procurement and contracts		81% (189)	72% (167)
	Quality of financial statements		81% (188)	77% (179)
	Prevention of unauthorised, irregular and fruitless and wasteful expenditure		74% (173)	70% (164)
	Effecting consequences		60% (139)	54% (125)
	Creditors not paid within 30 days		54% (125)	50% (117)

	OTHER NOTABLE NON-COMPLIANCE AREAS	2017-18	MOVEMENT	MOST COMMON FINDINGS PER AREA
	Asset management	47% (109)		Ineffective system of internal control for assets - 33% (71)
	Strategic planning and performance management	42% (98)		Performance management systems and related controls not maintained or inadequate - 23% (49)
	Human resource management	40% (93)		Policies and procedures not in place to monitor, measure and evaluate staff performance - 31% (67)
	Revenue management	33% (77)		Ineffective system of internal control for revenue - 27% (58)
	Utilisation of conditional grants	19% (44)		Performance on programmes funded by Division of Revenue Act allocation not evaluated - 13% (28)
	Annual financial statements and annual report	18% (43)		Oversight report not adopted by council within 2 months of annual report tabling - 8% (18)
	Liability management	13% (31)		Ineffective system of internal control for liabilities - 11% (23)

Non-compliance by **83% (193)** of municipalities can potentially lead to a financial loss

### PROVINCIAL VIEW

MUNICIPALITIES WITH NO FINDINGS ON COMPLIANCE									
	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Number	5% (2)	0% (0)	10% (1)	4% (2)	0% (0)	5% (1)	4% (1)	0% (0)	43% (12)
Movement									
<b>Total</b>								8% (19)	

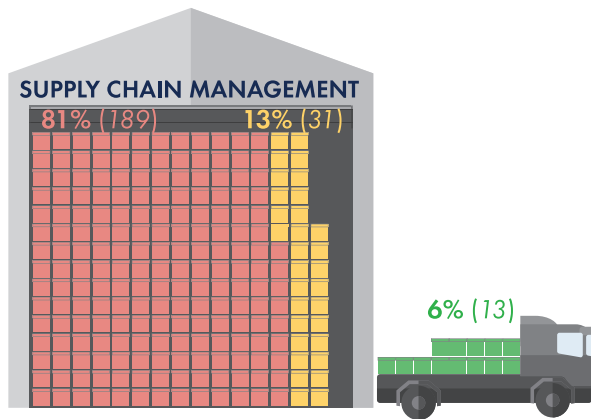




## SUPPLY CHAIN MANAGEMENT (SCM)



INCREASE IN MATERIAL NON-COMPLIANCE FINDINGS FROM **72% (167)** TO **81% (189)** LED TO OVERALL REGRESSION



Not able to audit procurement of **R1 216 million** due to **missing or incomplete information** at 49 municipalities (21%)

Highest contributors (74% of rand value) were:

- City of Tshwane Metro (GP) – **R537 million**
- Tokologo (FS) – **R120 million**
- Hantam (NC) – **R115 million**
- Lekwa (MP) – **R68 million**
- Ngwathe (FS) – **R65 million**

■ With no findings   
 ■ With findings   
 ■ With material findings

## AWARDS TO EMPLOYEES, COUNCILLORS, CLOSE FAMILY MEMBERS AND OTHER STATE OFFICIALS

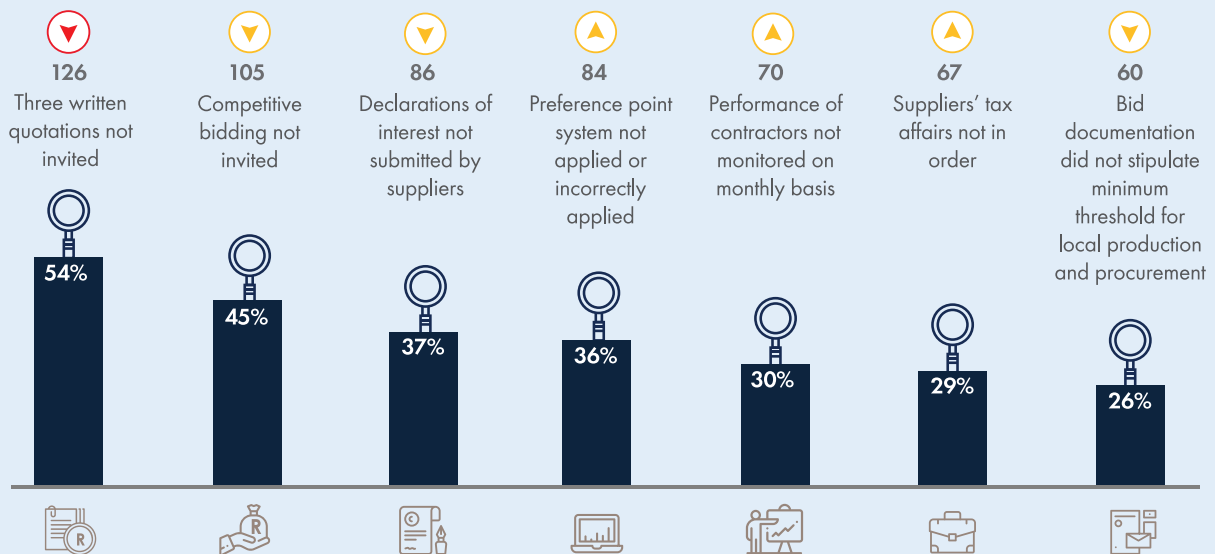
FINDINGS	MOVEMENT	NUMBER OF MUNICIPALITIES WITH AWARDS	AMOUNT
Prohibited awards to other state officials	▲	59% (138)	R921 million
Prohibited awards to employees and councillors	▲	14% (33)	R79 million
At 5 municipalities, awards valued at R850 000 were made to councillors, with values ranging from R10 000 to R560 000 per councillor			
Awards to close family members of employees	▶	42% (97)	R501 million
At 20 municipalities, awards to close family members were not disclosed in the financial statements as required			

## UNCOMPETITIVE OR UNFAIR PROCUREMENT PROCESSES AND CONTRACT MANAGEMENT

Findings on **uncompetitive or unfair procurement processes** at **88%** of the municipalities, of which 77% was material non-compliance

Findings on **contract management** at **48%** of the municipalities, of which 38% was material non-compliance

Most common findings were the following:





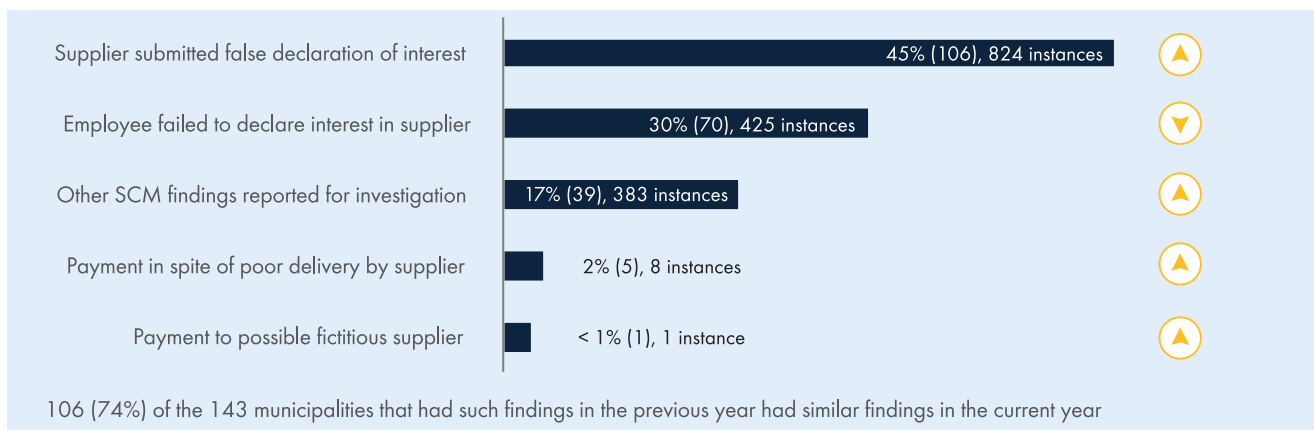
## LOCAL PROCUREMENT

Municipalities are required to procure certain commodities from local producers; **79 municipalities** (68%) out of 116 where we audited local procurement **failed to comply** with regulation on promotion of local producers on awards amounting to **R532 million**

## FALSE DECLARATIONS BY SUPPLIERS AND NON-DISCLOSURE BY EMPLOYEES

FINDINGS	MOVEMENT	NUMBER OF MUNICIPALITIES	NUMBER OF SUPPLIERS/EMPLOYEES	AMOUNT
Suppliers owned or managed by employees of another state institution made false declarations	▲	34% (79)	414	R696 million
Suppliers owned or managed by employees and councillors of the municipality made false declarations	▲	4% (10)	19	R1 million
Suppliers owned or managed by close family members of employees of the municipality made false declarations	▼	15% (35)	264	R156 million
Employees of the municipality failed to declare their own interest either as part of the procurement processes or through annual declarations	▲	6% (15)	31	R57 million
Employees of the municipality failed to declare their family members' interest	▶	21% (48)	337	R107 million

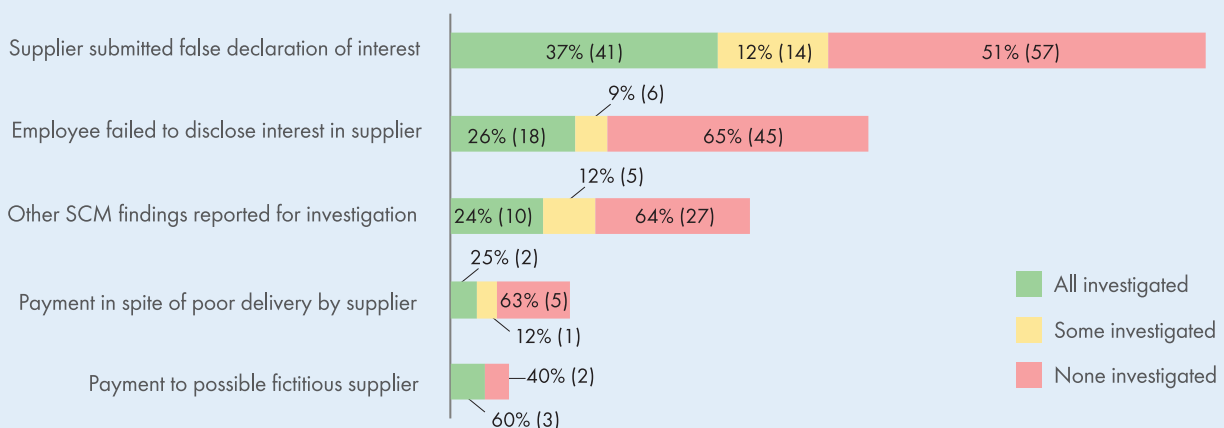
## SUPPLY CHAIN MANAGEMENT FINDINGS WERE REPORTED FOR INVESTIGATION AT 147 MUNICIPALITIES (63%) – A SLIGHT INCREASE FROM 61% IN PREVIOUS YEAR



## FOLLOW-UP OF SUPPLY CHAIN MANAGEMENT FINDINGS REPORTED FOR INVESTIGATION AT 143 MUNICIPALITIES IN PREVIOUS YEAR




47 (33%) of these municipalities investigated all the findings we reported, 21 (15%) investigated some of the findings, and 75 (52%) investigated none of the findings

45 (66%) of the 68 municipalities that investigated all or some findings, satisfactorily resolved all the investigations conducted





## UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE (UIFW)

Note: The entire analysis excludes the outstanding audits unless otherwise indicated (*)	<b>Irregular</b> Non-compliance with legislation in the process leading to expenditure	<b>Unauthorised</b> Expenditure more than budget or not in accordance with grant conditions	<b>Fruitless and wasteful</b> Expenditure made in vain - could have been avoided if reasonable care was taken
<b>How much was disclosed in 2017-18?</b>	<p><b>R21,243 billion at 219 municipalities (94%)</b></p> <p>23% decrease from R27,650 billion in 2016-17 </p> <p>* Irregular expenditure of outstanding audits based on unaudited financial statements as well as for audits subsequently finalised - <b>R4 billion (2016-17: R2,08 billion)</b></p>	<p><b>R12,851 billion at 155 municipalities (67%)</b></p> <p>15% increase from R11,157 billion in 2016-17 </p> <p>* Unauthorised expenditure of outstanding audits based on unaudited financial statements as well as for audits subsequently finalised - <b>R1,553 billion (2016-17: R3,48 billion)</b></p>	<p><b>R1,332 billion at 198 municipalities (85%)</b></p> <p>14% decrease from R1,549 billion in 2016-17 </p> <p>* Fruitless and wasteful expenditure of outstanding audits based on unaudited financial statements as well as for audits subsequently finalised - <b>R0,399 billion (2016-17: R0,615 billion)</b></p>
<b>Is all of it 2017-18 expenditure?</b>	<p><b>No</b></p> <p>R3,981 billion (19%) was expenditure in prior years only uncovered and disclosed in 2017-18</p> <p>R17,256 billion (81%) was expenses in 2017-18, which included payments made on ongoing contracts irregularly awarded in prior years - <b>R6,443 billion (37%)</b></p> <p><b>R10,813 billion (63%) represents non-compliance in 2017-18</b></p>	<p><b>Yes</b></p>	<p><b>No</b></p> <p>R0,064 billion (5%) was expenditure in prior years only uncovered and disclosed in 2017-18</p> <p><b>R1,268 billion (95%) was expenses in 2017-18</b></p>
<b>How much of the 2017-18 budget does it represent?</b>	<p>5%</p>	<p>4%</p>	<p>&lt; 1%</p>
<b>Is this the total amount?</b>	<p><b>No</b></p> <p>108 municipalities (46%) were either qualified on completeness of their disclosure and/or did not know the total amount and were still investigating to determine the total amount</p> <p>We could also not audit procurement processes for contracts valued at R1,216 billion due to missing or incomplete documentation - it is not known whether any part of this amount might represent irregular expenditure</p>	<p><b>No</b></p> <p>22 municipalities (9%) were qualified on the completeness of their disclosure</p>	<p><b>No</b></p> <p>12 municipalities (5%) were qualified on the completeness of their disclosure</p>

	Irregular	Unauthorised	Fruitless and wasteful
What was main cause?	<p><b>Non-compliance with supply chain management legislation (98%)</b> – related to:</p> <ul style="list-style-type: none"> <li>• Procurement without a competitive bidding or quotation process – R5,217 billion (25%)</li> <li>• Non-compliance with procurement process requirements – R14,323 billion (69%)</li> <li>• Inadequate contract management – R1,270 billion (6%)</li> </ul>	<p><b>Overspending of the budget (99,97%)</b> – R12,847 billion:</p> <ul style="list-style-type: none"> <li>• R5,843 billion (45%) related to actual payments in excess of budget</li> <li>• R7,004 billion (55%) related to non-cash items, representing the poor estimation of, for example, asset impairments</li> </ul>	<p><b>Penalties and interest</b> on overdue accounts and late payments (<b>86%</b>) – R1,150 billion</p>
Did the municipalities detect this expenditure?	<p><b>77% was identified by municipalities</b> and the remainder in the audit process</p> <p>Many municipalities put processes in place to fully uncover irregularities of prior years – partly to address prior year qualifications on irregular expenditure (R11 million) but also to correct and address past irregularities</p>	<p><b>87% was identified by municipalities</b> and the remainder in the audit process</p>	<p><b>91% was identified by municipalities</b> and the remainder in the audit process</p>
Does it mean this money was wasted?	<p><b>Possibly</b> – it can only be determined through a council investigation</p> <p>Goods and services were received for R18,323 billion (88%) of the expenditure related to supply chain management, but were not received for R9 million (&lt; 1%), while we did not audit the remaining 12%</p> <p>We cannot confirm if value for money was received for all of these goods and services</p>	<p><b>No</b></p>	<p><b>Yes</b></p>
How much of current and prior years' expenditure has not yet been dealt with by council (closing balance)?	<p><b>R71,107 billion</b></p>	<p><b>R46,218 billion</b></p>	<p><b>R4,46 billion</b></p>



## PROVINCIAL VIEW

Province	Irregular (R billion)	Unauthorised (R billion)	Fruitless and wasteful (R billion)
Eastern Cape	R7,276 34% of total <b>15% of provincial local government budget</b> Closing balance - R25,543	R1,231 9% of total 3% of provincial local government budget Closing balance - R4,885	R0,075 6% of total < 1% of provincial local government budget Closing balance - R0,926
Free State	R0,913 5% of total <b>10% of provincial local government budget</b> Closing balance - R2,281	R1,833 14% of total <b>21% of provincial local government budget</b> Closing balance - R4,176	R0,310 23% of total 3% of provincial local government budget Closing balance - R0,622
Gauteng	R3,246 15% of total 3% of provincial local government budget Closing balance - R9,992	R1,879 15% of total 2% of provincial local government budget Closing balance - R7,346	R0,125 9% of total < 1% of provincial local government budget Closing balance - R0,409
KwaZulu-Natal	R2,937 14% of total 4% of provincial local government budget Closing balance - R8,348	R1,237 10% of total 2% of provincial local government budget Closing balance - R4,211	R0,116 9% of total < 1% of provincial local government budget Closing balance - R0,207
Limpopo	R1,063 5% of total <b>5% of provincial local government budget</b> Closing balance - R5,563	R2,832 22% of total <b>13% of provincial local government budget</b> Closing balance - R5,879	R0,049 4% of total < 1% of provincial local government budget Closing balance - R0,304

Expenditure of 5% or higher of the provincial local government budget is highlighted in red



Province	Irregular (R billion)	Unauthorised (R billion)	Fruitless and wasteful (R billion)
Mpumalanga	R1,314 6% of total <b>5% of provincial local government budget</b> Closing balance - R4,670	R1,252 10% of total <b>6% of provincial local government budget</b> Closing balance - R4,560	R0,396 30% of total 2% of provincial local government budget Closing balance - R1,081
Northern Cape	R0,586 3% of total <b>5% of provincial local government budget</b> Closing balance - R1,437	R0,527 4% of total <b>7% of provincial local government budget</b> Closing balance - R3,092	R0,094 7% of total 1% of provincial local government budget Closing balance - R0,219
North West	R3,236 15% of total <b>12% of provincial local government budget</b> Closing balance - R12,146	R1,827 14% of total <b>11% of provincial local government budget</b> Closing balance - R11,434	R0,164 12% of total 1% of provincial local government budget Closing balance - R0,650
Western Cape	R0,666 3% of total 1% of provincial local government budget Closing balance - R1,121	R0,243 2% of total < 1% of provincial local government budget Closing balance - R0,635	R0,003 < 1% of total < 1% of provincial local government budget Closing balance - R0,042

Expenditure of 5% or higher of the provincial local government budget is highlighted in red



## TOP 10 CONTRIBUTORS – IRREGULAR EXPENDITURE

All of these municipalities incurred irregular expenditure for the past 3 years except JB Marks

Municipality	Disclosed (R billion)	Incurred in 2017-18 (R billion)	Nature	Key projects/ contracts affected	Grants* affected (R billion)
Nelson Mandela Bay Metro (EC)	R3,053	R2,712 (89%), of which R2,579 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	84% related to non-compliance with other procurement process requirements, which includes non-submission of tax clearance certificates, supply chain management committees not properly constituted, and awards to bidders not scoring highest points	Water and sanitation related services - Fishwater Flats wastewater treatment works, voltage network upgrade, and sludge stabilisation	R0,0403 (USDG)
City of Tshwane Metro (GP)	R1,684	R1,684 (100%), of which R838 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	65% related to non-compliance with other procurement process requirements	Smart prepaid meter contacts (R0,6 billion), capital project management contract (R0,318 billion), and fleet management services (R0,198 billion)	R0,318 (USDG) R0,198 (PTNG)
OR Tambo District (EC)	R1,355	R0,994 (89%)	73% related to procurement without competitive bidding or quotation processes, including R0,29 billion relating to non-compliance with supply chain management legislation by implementing agent (Amatola Water Board)	Water and sanitation related services (basic services)	R0,277 (MIG) R0,013 (RBIG)

Municipality	Disclosed (R billion)	Incurred in 2017-18 (R billion)	Nature	Key projects/ contracts affected	Grants* affected (R billion)
JB Marks (NW)	R1,270	R0,305 (24%)	All related to non-compliance with other procurement process requirements	Water and wastewater treatment plant (R0,033 billion), construction of canal at Ikageng (R0,024 billion), slipping an extension of an asbestos cement pipeline (R0,016 billion), and mobile security counter land invasion patrol (R0,012 billion)	R0,024 (WSIG) R0,016 (RBIG)
City of Johannesburg Metro (GP)	R0,868	R0,707 (81%), of which R0,466 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	99% related to non-compliance with other procurement process requirements	Provision of SAP support services (R0,150 billion), and fleet management services (R0,389 billion)	-
eThekweni Metro (KZN)	R0,733	R0,567 (78%)	44% related to non-compliance with legislation on contracts, 36% was as a result of non-compliance with other procurement process requirements, and 20% resulted from not following competitive bidding or quotation processes	Copper Sunset (basic services) (R0,128 billion), and Zikhulise Group (basic services) (R0,116 billion)	-
Alfred Nzo District (EC)	R0,622	R0,202 (32%), of which all represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	74% related to procurement without competitive bidding or quotation processes	Sanitation infrastructure projects – Ntabankulu sewer upgrade	R0,0129 (MIG)



Municipality	Disclosed (R billion)	Incurred in 2017-18 (R billion)	Nature	Key projects/ contracts affected	Grants* affected (R billion)
uThukela District (KZN)	R0,4	R 0,4 (100%)	55% related to non-compliance with procurement process requirements, including R0,014 billion relating to non-compliance with supply chain management legislation by implementing agent (Nhloso Development)	Water provisioning through water tankers	R0,046 (RBIG)
Dr Ruth Segomotsi Mompoti District (NW)	R0,381	R 0,381 (100%)	All related to non-compliance with other procurement process requirements	Sanitation infrastructure projects	R0,084 (WSIG)
Matjhabeng (FS)	R0,377	R0,358 (95%), of which R0,147 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	64% related to procurement without competitive bidding or quotation processes, including R0,038 billion relating to month-to-month extension of contracts without justifiable reasons and deviations amounting to R0,065 billion; in addition, included in the R0,377 billion is unspent grant money of R0,020 not cash-backed	Construction of storm water system – Nyakollong, and construction of waterborne sanitation for 1 300 stands – Welkom (Thabong)	R0,02 (INEP and WSIG)
<b>Total for top 10</b>	<b>R10,743</b>	<p>This constitutes <b>51% of the total irregular expenditure disclosed in 2017-18</b></p> <p>R7,206 billion (67%) of the top 10 value resulted from non-compliance with other procurement process requirements, while R2,645 billion (25%) related to procurement without following competitive bidding or quotation processes</p> <p>Excluded from these top 10 contributors is irregular expenditure of Emfuleni (GP) and Rustenburg (NW) amounting to R0,768 billion and R2,477 billion, respectively – the amounts are based on the unaudited financial statements, as the audits had not yet been completed at the time of this report</p>			



INEP – integrated national electrification programme grant



MIG – municipal infrastructure grant



PTNG – public transport network grant



RBIG – regional bulk infrastructure grant



USDG – urban settlements development grant



WSIG – water services infrastructure grant



## TOP 10 CONTRIBUTORS – UNAUTHORISED EXPENDITURE

Seven of these municipalities incurred unauthorised expenditure for the past 3 years except Rand West City, City of Mbombela and Fetakgomo Tubatse

Municipality	Disclosed (R billion)	Nature
City of Tshwane Metro (GP)	R1,138	Overspending of the budget R1,084 billion (95%) related to non-cash items
Mogalakwena (LP)	R1,117	Overspending of the budget, of which R0,272 billion resulted from overspending of the contracted services budget R1,117 billion (100%) related to non-cash items
Matjhabeng (FS)	R0,873	Overspending of the budget, of which R0,328 billion and R0,323 billion resulted from overspending of the community services and water/sewer services budgets, respectively R0,53 billion (61%) related to non-cash items
Ngaka Modiri Molema District (NW)	R0,596	Overspending of the budget
Polokwane (LP)	R0,411	Overspending of the budget R0,014 billion (3%) related to non-cash items
Rand West City (GP)	R0,325	Overspending of the budget, relating mostly to employee costs, finance costs and bulk purchases R0,202 billion (62%) related to non-cash items
City of Mbombela (MP)	R0,320	Overspending of the budget R0,263 billion (82%) related to non-cash items
City of Johannesburg Metro (GP)	R0,305	Overspending of the budget R0,242 billion (79%) related to non-cash items
Fetakgomo Tubatse (LP)	R0,298	Overspending of the budget R0,243 billion (80%) related to non-cash items
Nelson Mandela Bay Metro (EC)	R0,260	Overspending of the budget R0,259 billion (99,7%) related to non-cash items
<b>Total for top 10</b>	<b>R5,642</b>	This constitutes <b>44% of the total unauthorised expenditure</b> R3,95 billion (70%) of the top 10 value related to non-cash items  Excluded from these top 10 contributors is unauthorised expenditure of Mangaung Metro (FS) amounting to R0,852 billion – this amount is based on the unaudited financial statements, as the audit had not yet been completed at the time of this report



## TOP 10 CONTRIBUTORS – FRUITLESS AND WASTEFUL EXPENDITURE

All of these municipalities incurred fruitless and wasteful expenditure **for the past 3 years**

Municipality	Disclosed (R billion)	Nature
Matjhabeng (FS)	R0,169	All interest and penalties, which included Eskom interest of R0,156 billion
Emalahleni (MP)	R0,110	Mostly interest and penalties, which included Eskom interest of R0,105 billion
Govan Mbeki (MP)	R0,082	All interest and penalties, comprising Eskom interest of R0,0744 billion and water board interest of R0,0074 billion
Lekwa (MP)	R0,078	All interest and penalties, which included Eskom interest of R0,074 billion
City of Tshwane Metro (GP)	R0,065	Mostly related to the upgrade of the city hall, but it did not comply with National Heritage Council requirements
City of Matlosana (NW)	R0,052	Mostly interest and penalties, including Eskom interest of R0,015 billion and water board interest of R0,025 billion
Msukaligwa (MP)	R0,040	All interest and penalties, comprising Eskom interest of R0,004 billion and water board interest of R0,036 billion
uMkhanyakude District (KZN)	R0,038	Infrastructure expenditure of R0,033 billion was incurred but the work done could not be verified, and the R0,004 billion write-off of inventory that was unaccounted for
Ngwathe (FS)	R0,036	All interest and penalties, which included Eskom interest of R0,026 billion and water board interest of < R0,001 billion
Naledi (NW)	R0,029	All interest and penalties, which included Eskom interest of R0,029 billion
<b>Total for top 10</b>	<b>R0,699</b>	This constitutes <b>52% of the total of fruitless and wasteful expenditure</b> R0,484 billion (69%) of the top 10 value related to Eskom interest and R0,068 billion (10%) to water boards interest

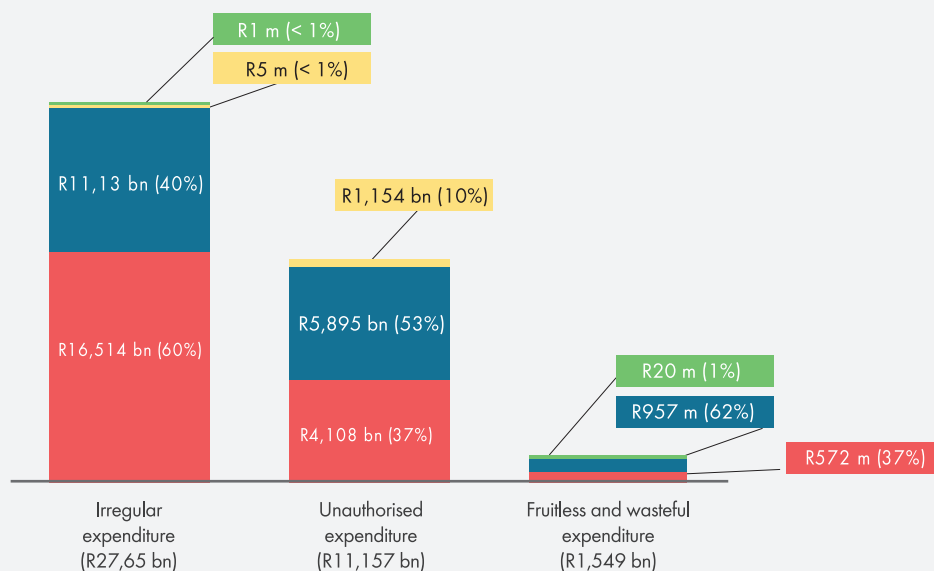
## INVESTIGATION AND FOLLOW-UP OF PRIOR YEAR UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE



Investigations by municipalities of all instances of UIFW of prior years slightly regressed from **83 (40%)** to **84 (38%)**

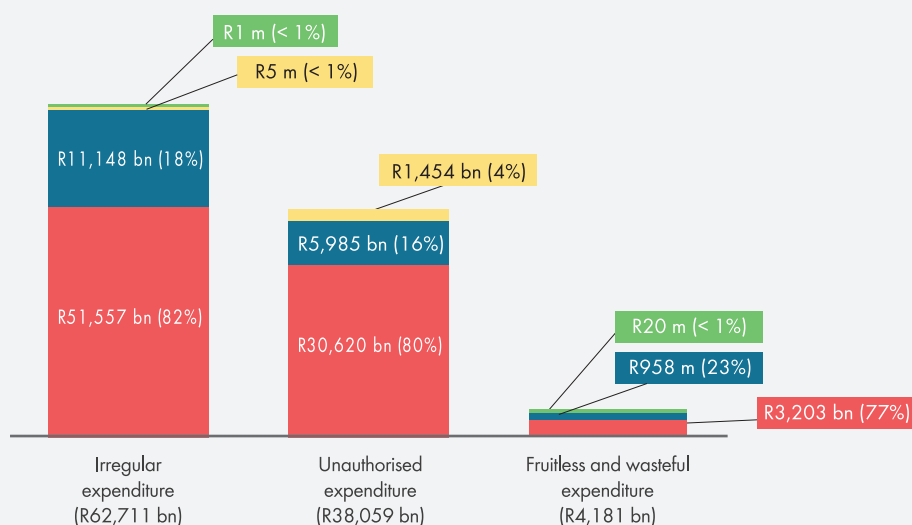
UIFW disclosed must be investigated to determine the impact and who is responsible. Based on the outcome of the investigation, the next steps can include condonement/authorisation, recovery, or write-off. It may also include the cancellation of contracts irregularly awarded.

### HOW HAS COUNCIL DEALT WITH UIFW INCURRED IN 2016-17?



### HOW HAS COUNCIL DEALT WITH ALL PRIOR UIFW TO DATE?

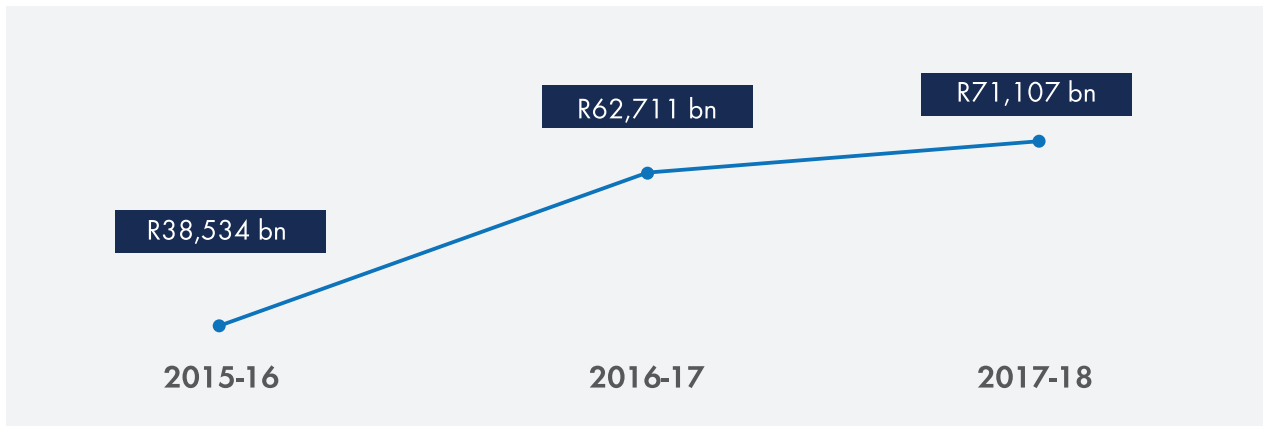
(Note: Figures below are expressed as percentage of previous year closing balance)



■ Money recovered or in the process of recovery    
 ■ Condoned or authorised    
 ■ Written off    
 ■ Not dealt with



## GROWING BALANCE OF IRREGULAR EXPENDITURE NOT DEALT WITH



**Top 5 contributors** to accumulated irregular expenditure (constitutes 32% of R71,107 billion), which also **did not investigate all instances** of prior year irregular expenditure:

- Nelson Mandela Bay Metro (EC) – R12,379 billion
- OR Tambo District (EC) – R3,151 billion
- City of Matlosana (NW) – R2,748 billion
- City of Johannesburg Metro (GP) – R2,724 billion
- Mogalakwena (LP) – R1,718 billion

Some **reasons for not investigating all instances** of prior year irregular expenditure:

- City of Matlosana (NW): **Procurement documentation** to investigate irregular expenditure was **missing** and the municipality therefore had to request guidance from National Treasury’s chief procurement officer on how to investigate
- **Insufficient capacity** to deal with all cases reported