



CONSOLIDATED GENERAL REPORT | **MFMA**
on the local government audit outcomes | 2017-18



AUDITOR - GENERAL
SOUTH AFRICA



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Auditing to build public confidence

MFMA
2017-18

CONSOLIDATED

GENERAL REPORT ON THE LOCAL GOVERNMENT AUDIT OUTCOMES

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

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

Auditor-General

Kimi Makwetu
Auditor-General



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.



PERFORMANCE SNAPSHOT

(Refer to section 2 for explanations on how to interpret these figures and movements)

Clean audits



8% ▼

(2016-17: 14%)

Overall regression in audit outcomes



63 ▼ Regressed

22 ▲ Improved

Quality financial statements



51% ▼

(2016-17: 61%)

19% (45)

Municipalities submitted financial statements without material misstatements

R907 million

(2016-17: R760 million)

Cost of consultants to assist in financial statement preparation

66% (153)

Financial statements submitted for auditing included **material misstatements in the areas in which consultants did work**

No findings on compliance with legislation



8% ▼

(2016-17: 15%)

Irregular expenditure



R21,243 bn

(2016-17: R27,650 bn)

AUDITS SUBSEQUENTLY FINALISED

R4 bn

(2016-17: R2,08 bn)

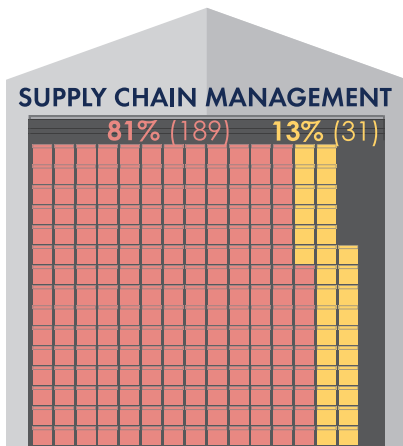
Quality performance reports



35% ▼

(2016-17: 38%)

53% *Achievement reported not reliable*
(116)

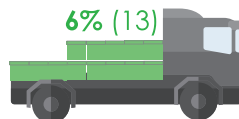


▼ SUPPLY CHAIN MANAGEMENT COMPLIANCE

Not able to audit procurement of **R1 216 million** due to missing or incomplete information

R921 million in prohibited awards to other state officials

False declarations of interest made by **824 suppliers**



6% (13)

Uncompetitive or unfair procurement processes at **88% of municipalities**

■ With no findings ■ With findings ■ With material findings

EFFECTING CONSEQUENCES

60% Material non-compliance with legislation on implementation of consequences **regressed**

38% Investigation of prior years' unauthorised, irregular and fruitless and wasteful expenditure **slightly regressed** (closing balance not dealt with is R121,785 billion)

33% Investigations into supply chain management findings we reported in previous year **slightly regressed**

STATUS OF CONTROLS

- 18%** Overall internal controls **slightly regressed**
- 14%** Basic financial and performance management controls **regressed**
- 22%** Information technology controls **slightly regressed**

HUMAN RESOURCE MANAGEMENT

MUNICIPAL MANAGER

VACANCIES **18% (43)** ▲

VACANT for 6 months or more – **14% (33)**

CHIEF FINANCIAL OFFICER

VACANCIES **22% (51)** ▲

VACANT for 6 months or more – **16% (36)**

INFRASTRUCTURE



ROAD INFRASTRUCTURE

41% did not develop or approve road maintenance plan

26% did not develop or approve priority list for road infrastructure maintenance projects

23% did not assess condition of road infrastructure



SANITATION INFRASTRUCTURE

49% had no policy/an approved policy on sanitation maintenance

31% did not assess condition of sanitation infrastructure



WATER INFRASTRUCTURE

48% had no policy/an approved policy on water maintenance

29% did not assess condition of water infrastructure

Water losses above 30% at **39%** of municipalities

Water losses not disclosed at **9%** of municipalities

FINANCIAL HEALTH

DEFICIT

(expenditure exceeded revenue)

2017-18 **34% (67)** ▼
2016-17 **29% (57)**

CREDITOR-PAYMENT PERIOD > 30 DAYS

87% (170) ▼
86% (168)

VULNERABLE FINANCIAL POSITION

2017-18 **31% (72)** ▶
2016-17 **31% (71)**

Fruitless and wasteful expenditure of **R1 billion** incurred by those in vulnerable financial position

ASSURANCE PROVIDERS



Overall regression in assurance provided by role players

Senior management and municipal managers **regressed**

Mayors, councils, municipal public accounts committees, internal audit units and audit committees **slightly regressed**

National and provincial role players **improved**

METROS ▼

Almost **53% (R198 billion)** of the total municipal expenditure budget of **R376 billion** was managed by metros

	2017-18	MOVEMENT
Quality of published financial statements	71%	▼
Quality of published performance reports	57%	▶
No findings on compliance with legislation	0%	▶
Irregular expenditure	R7 062 m	▲

5 > Unchanged

1 ▼ Regressed



OUTSTANDING AUDIT

Mangaung Metro

ROOT CAUSES



96% ▼

Slow/no response in improving internal controls and addressing risk areas
SLOW RESPONSE – 84%
NO RESPONSE – 16%



63% ▲

Inadequate consequences for poor performance and transgressions



60% ▲

Instability or vacancies in key positions or key officials lacking appropriate competencies

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ANNEXURES

The annexures containing information on the following are available on www.agsa.co.za (our website):

- **Annexure 1:** Auditees' audit outcomes; areas qualified; and findings on performance reports, compliance, specific risk areas and unauthorised, irregular as well as fruitless and wasteful expenditure
- **Annexure 2:** Auditees' financial health indicators, supply chain management findings and root causes
- **Annexure 3:** Auditees' audit opinions over the past five years
- **Annexure 4:** Assessment of auditees' key controls at the time of the audit



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