

// SECTION 2



Introduction

The current local government administration is now in its second year, and this report reflects on the lack of progress that has been made in improving financial and performance management and compliance with legislation in the municipal sphere.

In our previous report, we focused on the **impact of accountability failures** in local government and shared what we viewed as the indicators, impact and root causes of such failures. We **highlighted the shortcomings** we identified in financial and performance management and compliance with legislation, financial health, and the development and maintenance of infrastructure. We also highlighted that

our **recommendations** continued to remain unheeded. The **increasingly difficult environment for auditing** was raised as a key concern whereby there were increased contestations of audit findings and pushbacks, and our audit processes and the motives of our audit teams were questioned.

The **accountability (plan+do+check+act) cycle**, depicted below, which is aimed at continuously improving the processes, outcomes and service delivery of municipalities and thereby strengthen accountability, was also not implemented despite our continuous advocating to do so.



In addition, we highlighted how we anticipated our **expanded mandate** through the amendments to the Public Audit Act would increase our contribution to the accountability process.

This report demonstrates that the audit outcomes in local government continue to regress despite the insights shared in previous reports and our recommendations for implementing the accountability (plan+do+check+act) cycle that were meant to enable accountability and improve audit outcomes. Our theme therefore remains centred around the

accountability failures in local government, with a specific focus on **the accountability for financial and performance management that continues to deteriorate**.

In section 3, we report on the **indicators, impact and root causes** of deteriorating accountability. The section further covers the **role of leadership** in addressing the deteriorating accountability, and the role we play in strengthening the accountability chain – also through our **expanded mandate**.

Section 4 simply and concisely **summarises the audit outcomes** and covers the same areas as reported on in our previous general reports.

In section 5, we reflect on the status of accountability for financial and performance management by **metropolitan municipalities**.

Section 6 provides an overview of the **results and reflections per province**, and the **status of all municipalities in the province**, with a focus on accountability indicators, impact and key root causes.

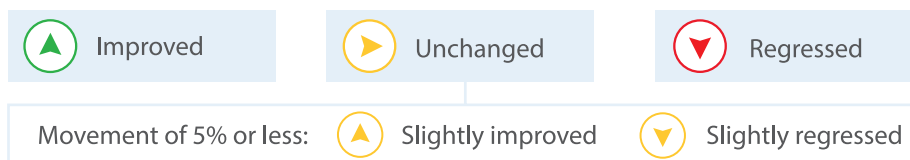
We explain more about our **audit process and terminology** in section 7. Our website (www.agsa.co.za) includes **detailed annexures** that provide the key results per municipality and municipal entity.

We audited 257 municipalities and 21 municipal entities in 2017-18. To simplify our reporting and ensure that our message is focused, **this report covers only the municipalities**. The outcomes of the municipal entities are included in the annexures to this report (which are available on our website), but not in the analysis in this report.

We set the cut-off date for inclusion of audit outcomes in this report as 31 January 2019, by which time the audits of 24 municipalities had not yet been completed. Therefore, when studying the figures, please note that the percentages are calculated based on all **completed audits of 233 municipalities**, unless indicated otherwise.

We applied a **reduced audit approach at 10 municipalities** in response to the disclaimed opinions they receive year after year and the general limitations experienced in performing audits in these environments. The reduction in work related to areas such as financial health, supply chain management, use of conditional grants, assurance providers, use of consultants, and infrastructure projects. Where we report on these areas, the percentages are calculated based on only 223 of the completed audits.

To determine the **movements from the previous year**, we compared the results of the municipalities with completed audits with their results in 2016-17. These movements are depicted as follows:



We use the following **icons** in this report to indicate:



Key messages that we want to highlight



Explanations of terminology – we also explain more about our audit process and terminology in section 7



What we have found



Examples to illustrate our findings



