

// SECTION 4

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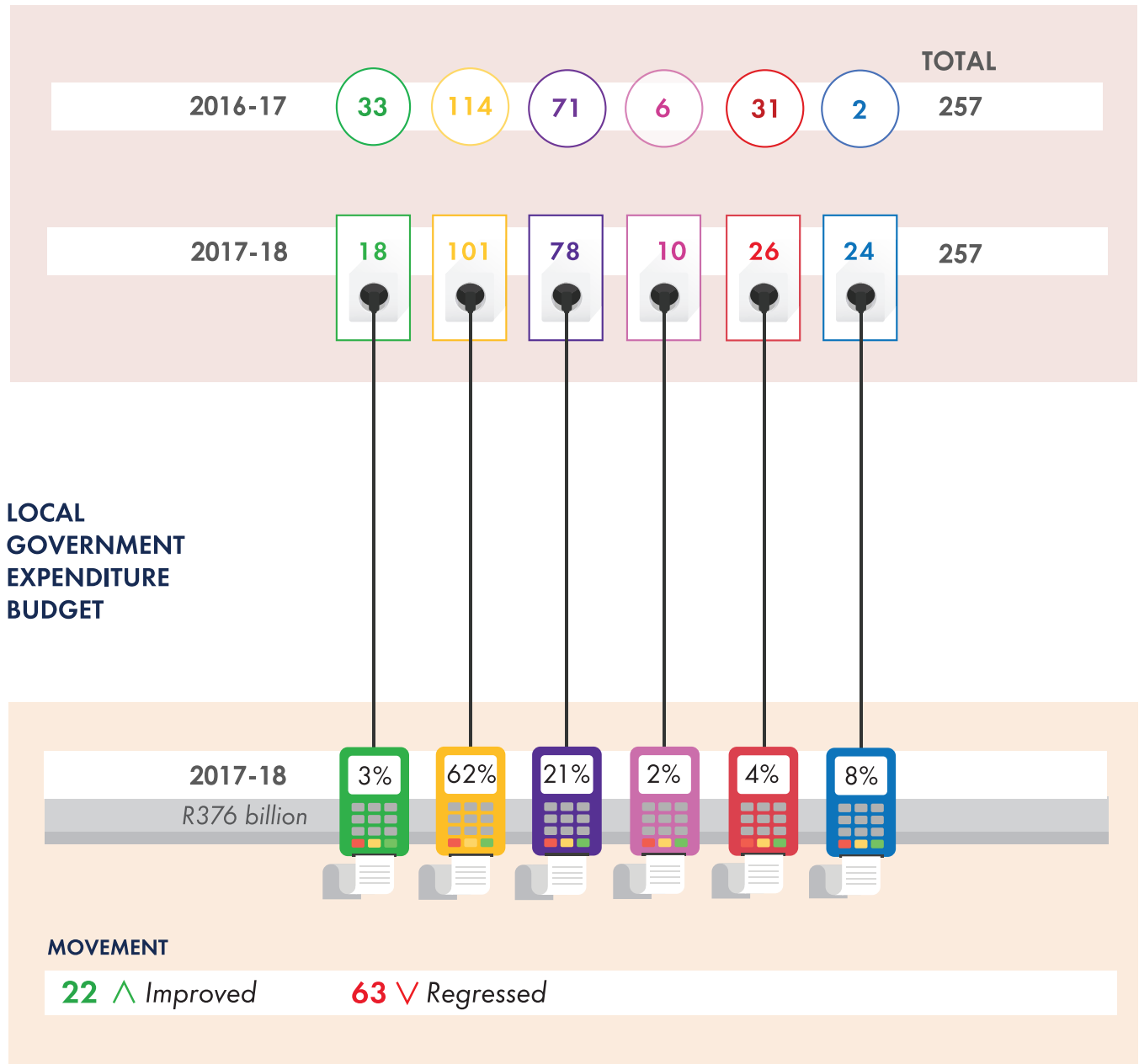
Summary of audit outcomes



OVERALL AUDIT OUTCOMES



OVERALL REGRESSION
IN AUDIT OUTCOMES



CLEAN AUDIT MOVEMENTS



16 Remained clean

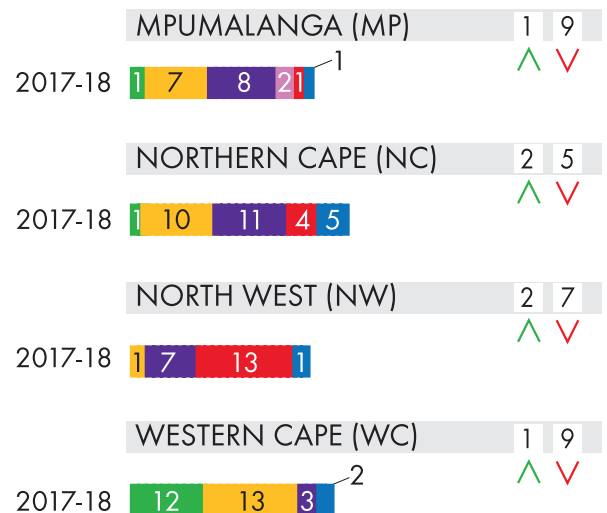
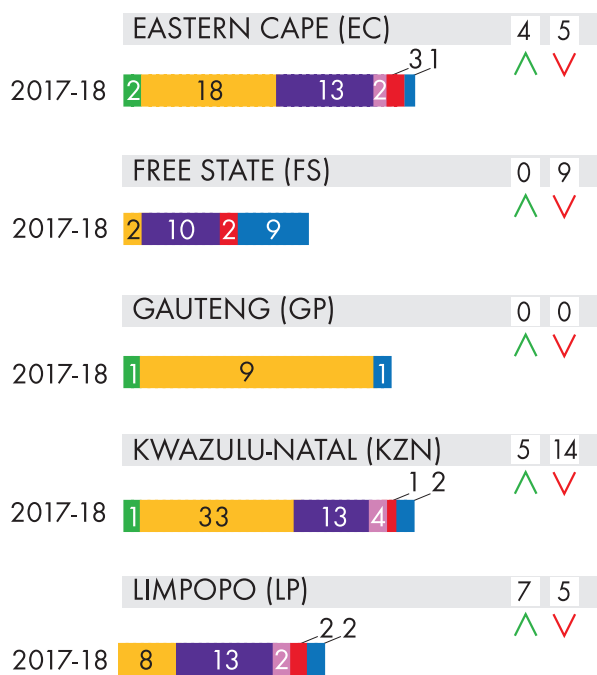
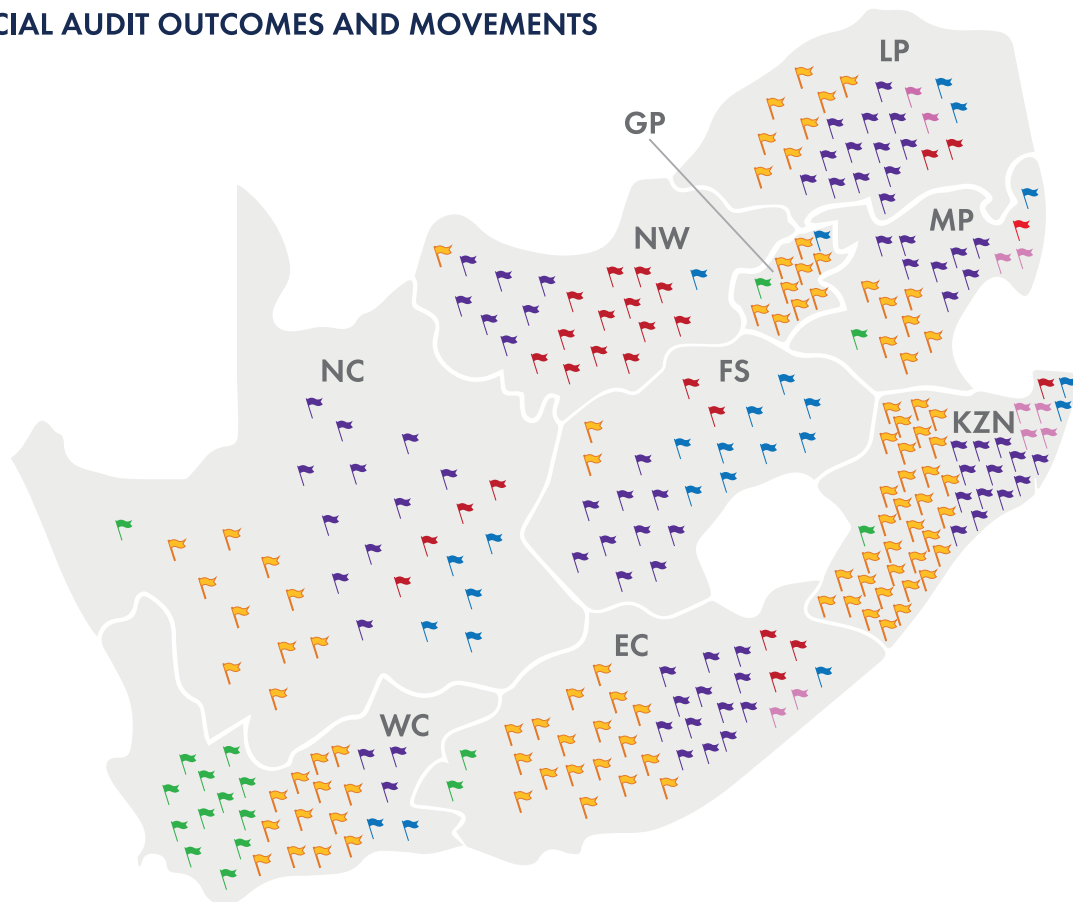
17 Regressed

2 New clean audits

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

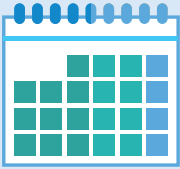


PROVINCIAL AUDIT OUTCOMES AND MOVEMENTS



■ 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)	
Total	89% (228)		19% (45)		51% (119)	





PERFORMANCE REPORTS



SLIGHT REGRESSION IN QUALITY OF PUBLISHED PERFORMANCE REPORTS



TARGET

MOVEMENT

2017-18

2016-17



Preparation of performance reports



97% (227)

98% (228)



Quality of performance reports submitted for auditing



11% (24)

10% (23)



Quality of published performance reports



35% (82)

38% (88)

58 municipalities (24%) had no material findings only because they corrected all misstatements identified during the audit

FINDINGS ON PERFORMANCE REPORTS

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)	
Total	97% (227)		11% (24)		35% (82)	



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									
Total									8% (19)

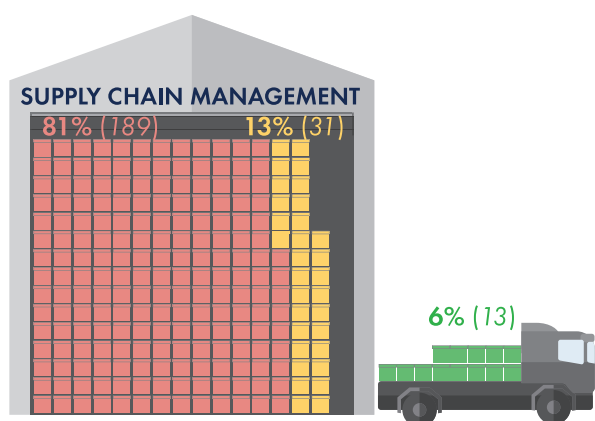




SUPPLY CHAIN MANAGEMENT (SCM)



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

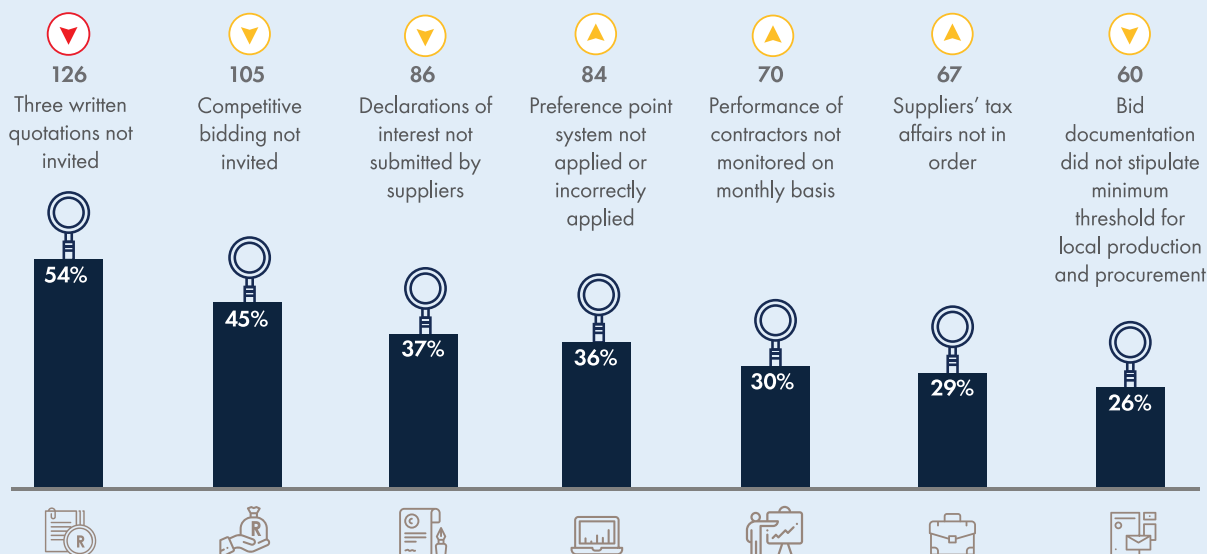
FINDINGS	MOVEMENT	NUMBER OF MUNICIPALITIES WITH AWARDS	AMOUNT
Prohibited awards to other state officials	▲	59% (138)	R921 million
Prohibited awards to employees and councillors	▲	14% (33)	R79 million
At 5 municipalities, awards valued at R850 000 were made to councillors, with values ranging from R10 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:



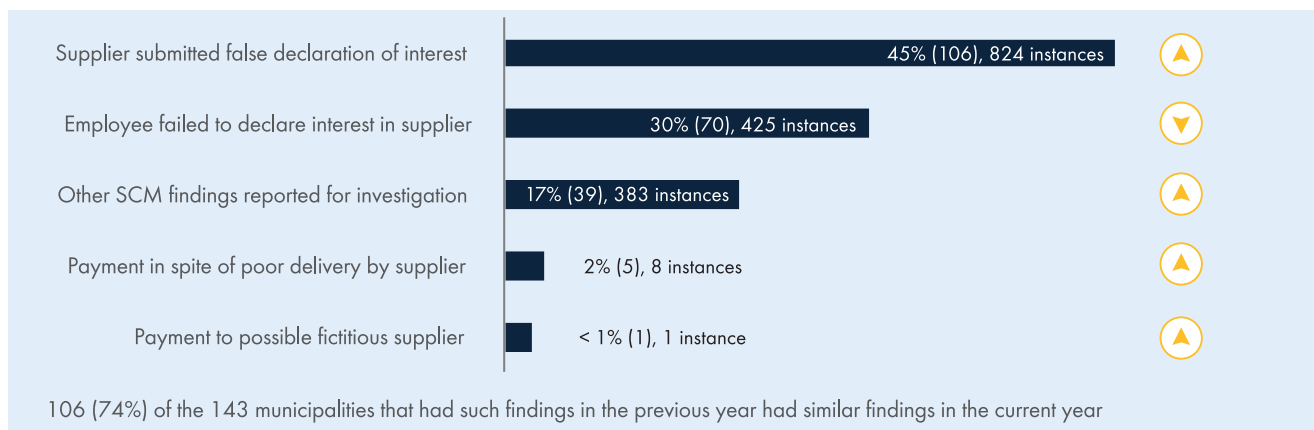
LOCAL PROCUREMENT

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**

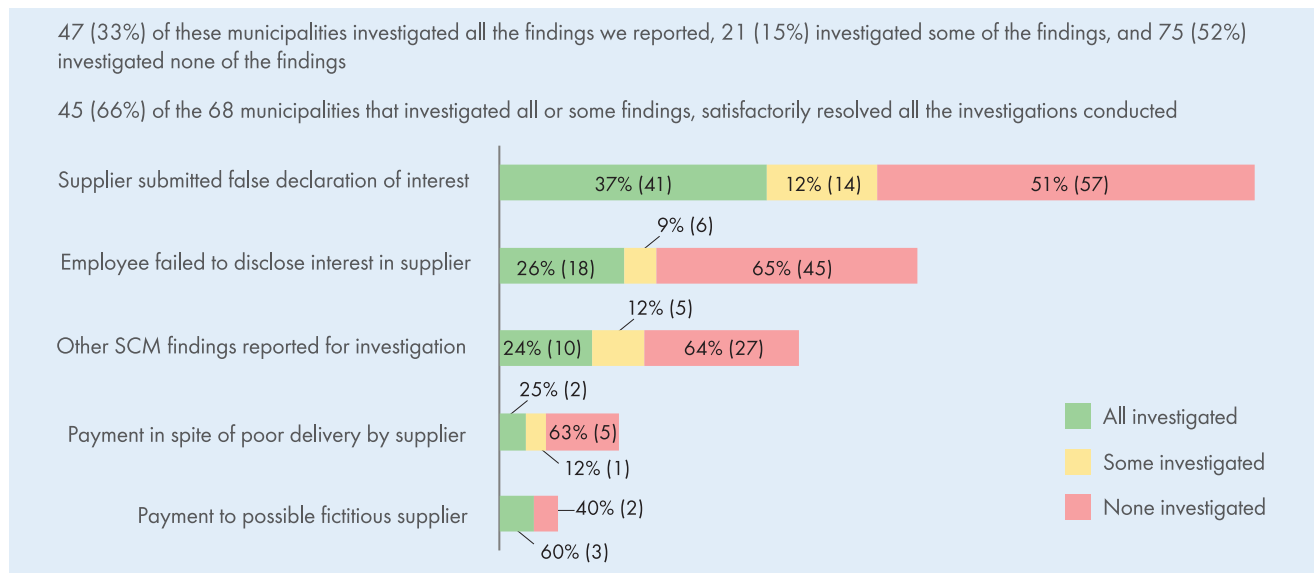
FALSE DECLARATIONS BY SUPPLIERS AND NON-DISCLOSURE BY EMPLOYEES

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





UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE (UIFW)

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

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



PROVINCIAL VIEW

Province	Irregular (R billion)	Unauthorised (R billion)	Fruitless and wasteful (R billion)
Eastern Cape	R7,276 34% of total 15% of provincial local government budget 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 10% of provincial local government budget Closing balance - R2,281	R1,833 14% of total 21% of provincial local government budget 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 5% of provincial local government budget Closing balance - R5,563	R2,832 22% of total 13% of provincial local government budget 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 5% of provincial local government budget Closing balance - R4,670	R1,252 10% of total 6% of provincial local government budget 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 5% of provincial local government budget Closing balance - R1,437	R0,527 4% of total 7% of provincial local government budget 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 12% of provincial local government budget Closing balance - R12,146	R1,827 14% of total 11% of provincial local government budget 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)
Total for top 10	R10,743	<p>This constitutes 51% of the total irregular expenditure disclosed in 2017-18</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
Total for top 10	R5,642	This constitutes 44% of the total unauthorised expenditure 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
Total for top 10	R0,699	<p>This constitutes 52% of the total of fruitless and wasteful expenditure</p> <p>R0,484 billion (69%) of the top 10 value related to Eskom interest and R0,068 billion (10%) to water boards interest</p>

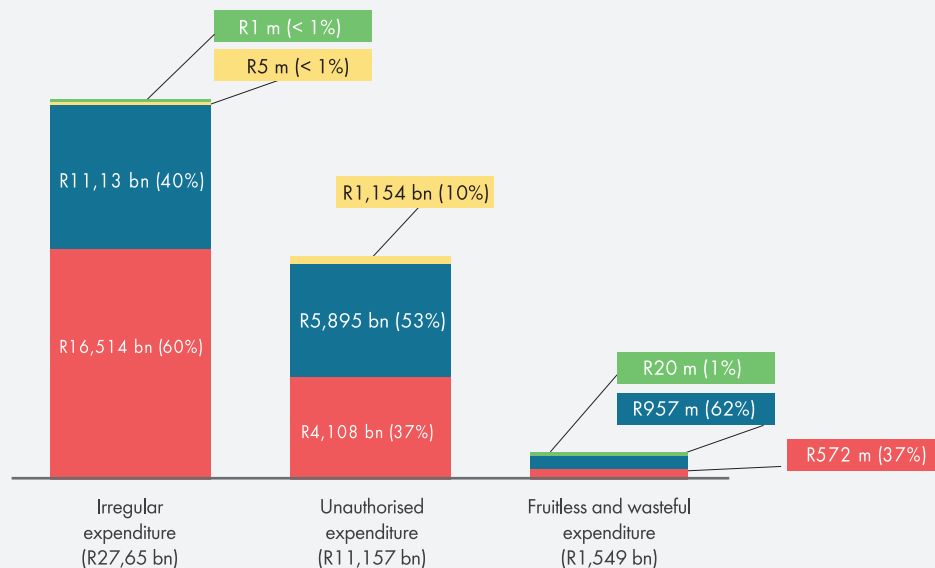
INVESTIGATION AND FOLLOW-UP OF PRIOR YEAR UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE



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

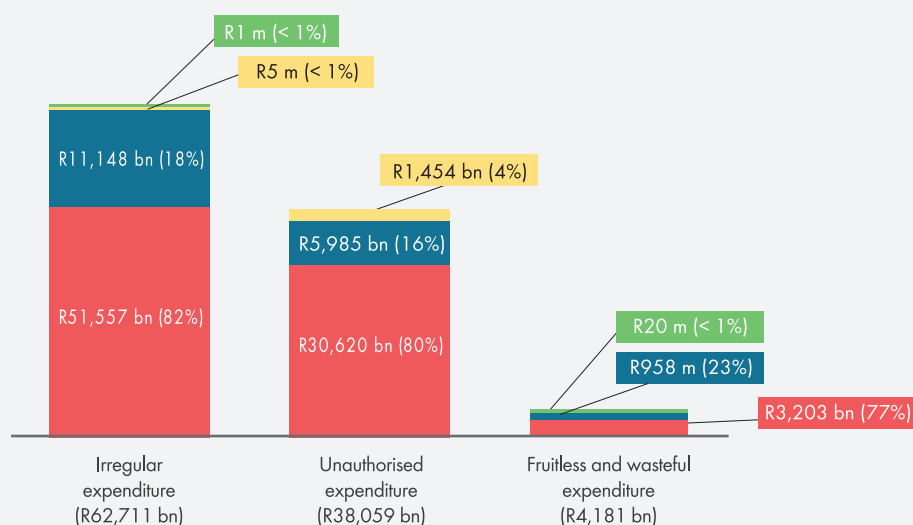
UIFW disclosed must be investigated to determine the impact and who is responsible. Based on the outcome of the investigation, the next steps can include condonement/authorisation, recovery, or write-off. It may also include the cancellation of contracts irregularly awarded.

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



HOW HAS COUNCIL DEALT WITH ALL PRIOR UIFW TO DATE?

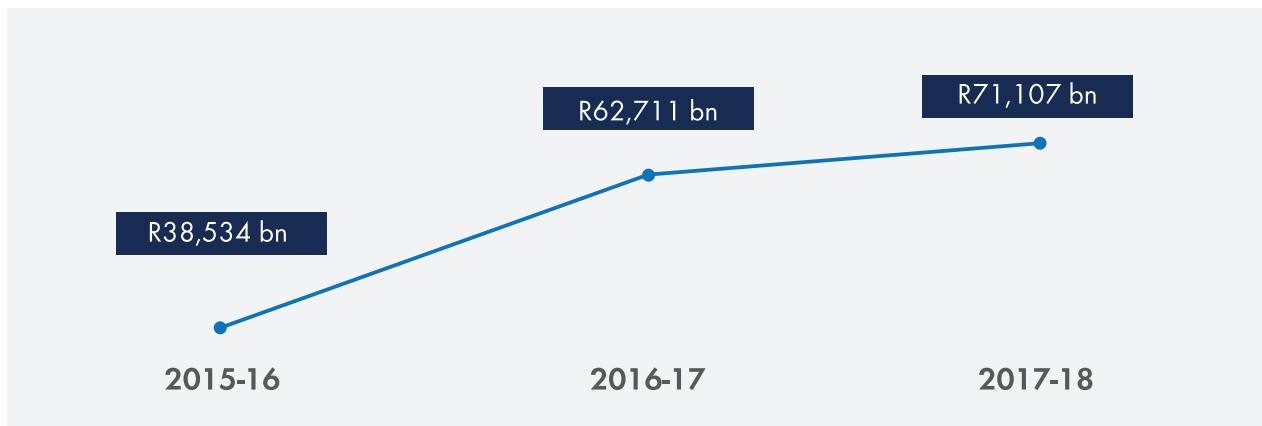
(Note: Figures below are expressed as percentage of previous year closing balance)



■ 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

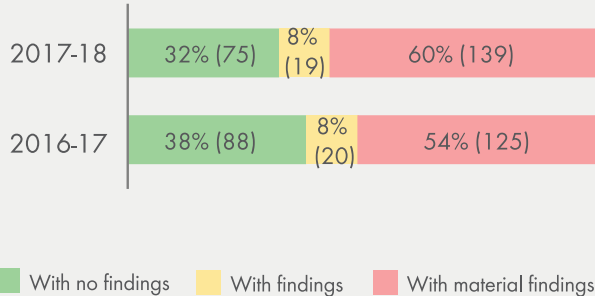


FRAUD AND LACK OF CONSEQUENCES



INCREASE IN MATERIAL NON-COMPLIANCE WITH LEGISLATION ON IMPLEMENTING CONSEQUENCES

NON-COMPLIANCE WITH LEGISLATION ON IMPLEMENTING CONSEQUENCES



Most common findings were the following:

- Irregular expenditure identified in previous year was not investigated at **125 municipalities (54%)**
- Fruitless and wasteful expenditure identified in previous year was not investigated at **117 municipalities (50%)**
- Unauthorised expenditure identified in previous year was not investigated at **108 municipalities (46%)**

MECHANISMS TO DEAL WITH LACK OF CONSEQUENCES



Inadequate mechanisms for reporting and investigating transgressions and possible fraud at 105 municipalities (45%)

Most common findings were the following:



Disciplinary board not established at **51 municipalities (22%)**



Lack of proper record keeping at **43 municipalities (18%)**



No policies on investigating allegations and disciplinary procedures at **42 municipalities (18%)**

INADEQUATE FOLLOW-UP OF ALLEGATIONS OF FINANCIAL AND SUPPLY CHAIN MANAGEMENT MISCONDUCT AND FRAUD – TESTED AT 72 MUNICIPALITIES

Investigations took longer than 3 months

40% (29)



Allegations not investigated

26% (19)



Allegations not properly investigated

11% (8)



CONTRIBUTE TO

AND



Unauthorised, irregular and fruitless and wasteful expenditure (UIFW) not followed up and dealt with – refer to section on UIFW



Supply chain management (SCM) findings we reported to management for investigation not followed up – refer to section on SCM

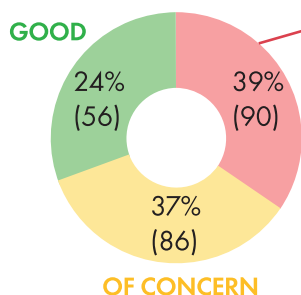




FINANCIAL HEALTH



REGRESSION IN
FINANCIAL HEALTH



INTERVENTION REQUIRED

- This means the municipality:
- is in a vulnerable financial position and might be unable to continue operating and/or
 - received a disclaimed or adverse opinion, which means the financial statements were not reliable enough for analysis

VULNERABLE FINANCIAL POSITION

31% (72)

31% (71)

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

2017-18 2016-17

SUSTAINABILITY INDICATORS

NET CURRENT LIABILITY POSITION

39% (76)

40% (78)

DEFICIT (expenditure exceeded revenue)

34% (67)

29% (57)

Consolidated deficit of R5,8 billion

Major contributors from:

- Free State - R1,3 billion (22%)
- Limpopo - R1,25 billion (22%)
- Mpumalanga - R1,16 billion (20%)

81% (54) of municipalities with deficits also incurred unauthorised expenditure of R5,29 billion

CREDITORS GREATER THAN AVAILABLE CASH AT YEAR-END

53% (104)

52% (101)

Total creditors: R48,5 billion
Cash available at year-end: R37,3 billion

Highest percentages incurred by:
Matjhabeng (FS) - 146 206%
Kai IGarib (NC) - 72 855%
Nala (FS) - 20 379%

CURRENT LIABILITIES GREATER THAN 10% OF FOLLOWING YEAR'S BUDGETED RESOURCES

94% (185)

CREDITOR PAYMENTS

CREDITOR-PAYMENT PERIOD > 30 DAYS

87% (170)

86% (168)

CREDITOR-PAYMENT PERIOD > 90 DAYS

47% (92)

44% (86)



AVERAGE CREDITOR-PAYMENT PERIOD

174 DAYS

151 DAYS

ESKOM ARREARS*

R18,26 billion outstanding as at 30 June 2018 with R9,12 billion in arrears #

R0,85 billion was not aged by municipalities

WATER BOARDS ARREARS*

R9,05 billion outstanding as at 30 June 2018 with R5,85 billion in arrears #

R1,73 billion was not aged by municipalities

* These amounts have been taken from municipalities' financial statements, some of which are misstated

REVENUE MANAGEMENT INDICATORS

MORE THAN 10% OF DEBT IRRECOVERABLE

91% (178)

92% (180)

DEBT-COLLECTION PERIOD > 90 DAYS

55% (107)

55% (107)



AVERAGE DEBT-COLLECTION PERIOD

169 DAYS

188 DAYS

PROVINCIAL VIEW

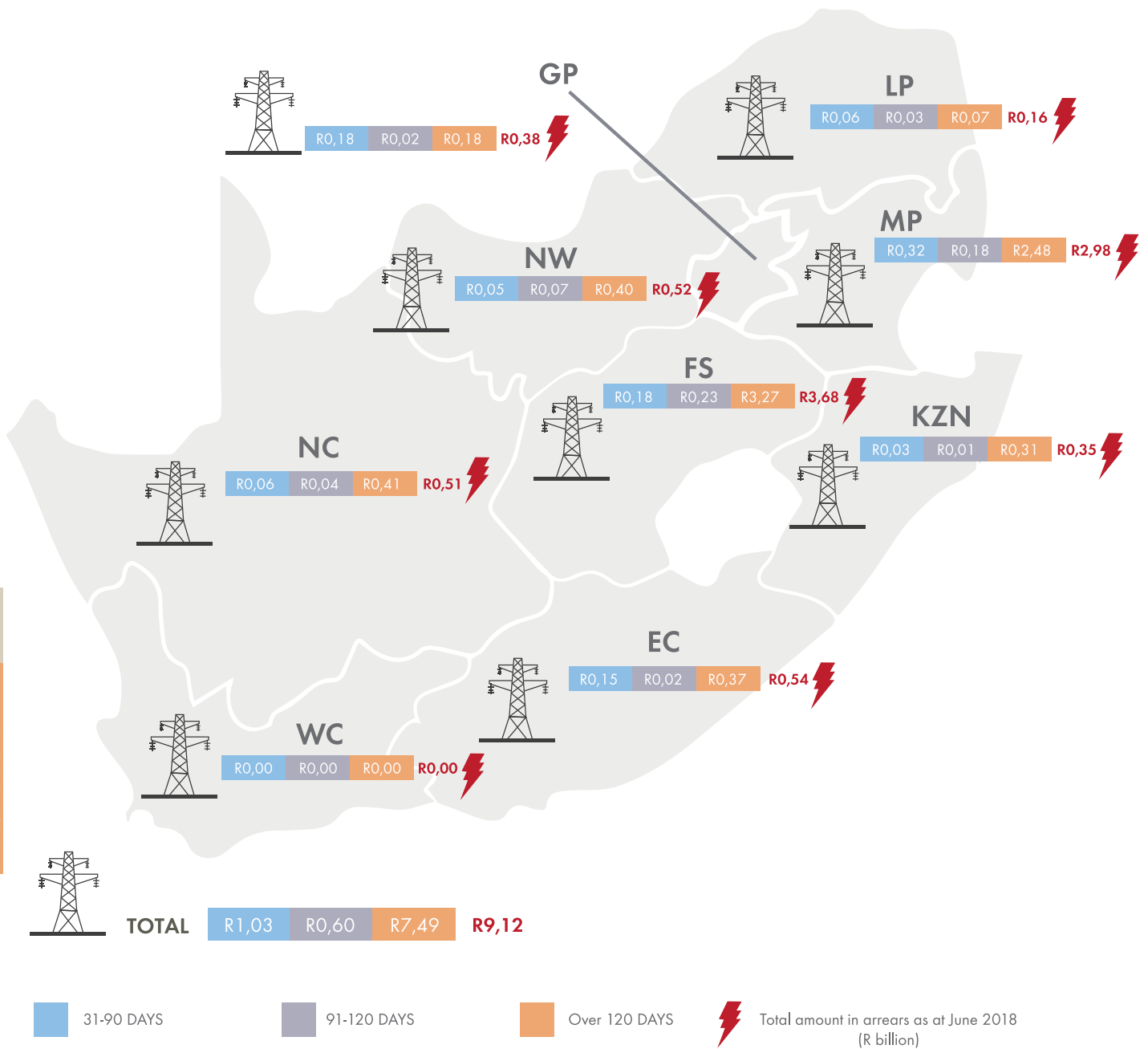
PROVINCE	OVERALL ASSESSMENT*				VULNERABLE FINANCIAL POSITION	
	GOOD	OF CONCERN	INTERVENTION REQUIRED			
Eastern Cape	24% (9)	39% (15)	37% (14)	▼	32% (12)	▼
Free State	0% (0)	0% (0)	100% (14)	▶	100% (14)	▶
Gauteng	20% (2)	30% (3)	50% (5)	▼	50% (5)	▼
KwaZulu-Natal	23% (12)	58% (30)	19% (10)	▼	13% (7)	▲
Limpopo	12% (3)	64% (16)	24% (6)	▼	12% (3)	▼
Mpumalanga	16% (3)	47% (9)	37% (7)	▼	26% (5)	▼
Northern Cape	8% (2)	23% (6)	69% (18)	▼	62% (16)	▼
North West	5% (1)	20% (4)	75% (15)	▼	45% (9)	▶
Western Cape	86% (24)	10% (3)	4% (1)	▶	4% (1)	▶
Total	24% (56)	37% (86)	39% (90)	▼	31% (72)	▶

*Including municipalities with disclaimed/adverse opinions

PROVINCE	INDICATORS*					
	CREDITOR PAYMENTS > 30 DAYS		MORE THAN 10% OF DEBT IRRECOVERABLE		DEFICIT	
Eastern Cape	82% (27)	▶	100% (33)	▼	27% (9)	▶
Free State	100% (12)	▶	100% (12)	▶	75% (9)	▲
Gauteng	90% (9)	▶	100% (10)	▼	40% (4)	▶
KwaZulu-Natal	89% (42)	▼	96% (45)	▶	17% (8)	▼
Limpopo	86% (18)	▶	90% (19)	▶	52% (11)	▼
Mpumalanga	81% (13)	▲	88% (14)	▶	44% (7)	▼
Northern Cape	95% (21)	▶	77% (17)	▲	59% (13)	▶
North West	100% (7)	▼	71% (5)	▶	43% (3)	▼
Western Cape	75% (21)	▼	82% (23)	▲	11% (3)	▼
Total	87% (170)	▼	91% (178)	▶	34% (67)	▼

*Excluding municipalities with disclaimed/adverse opinions

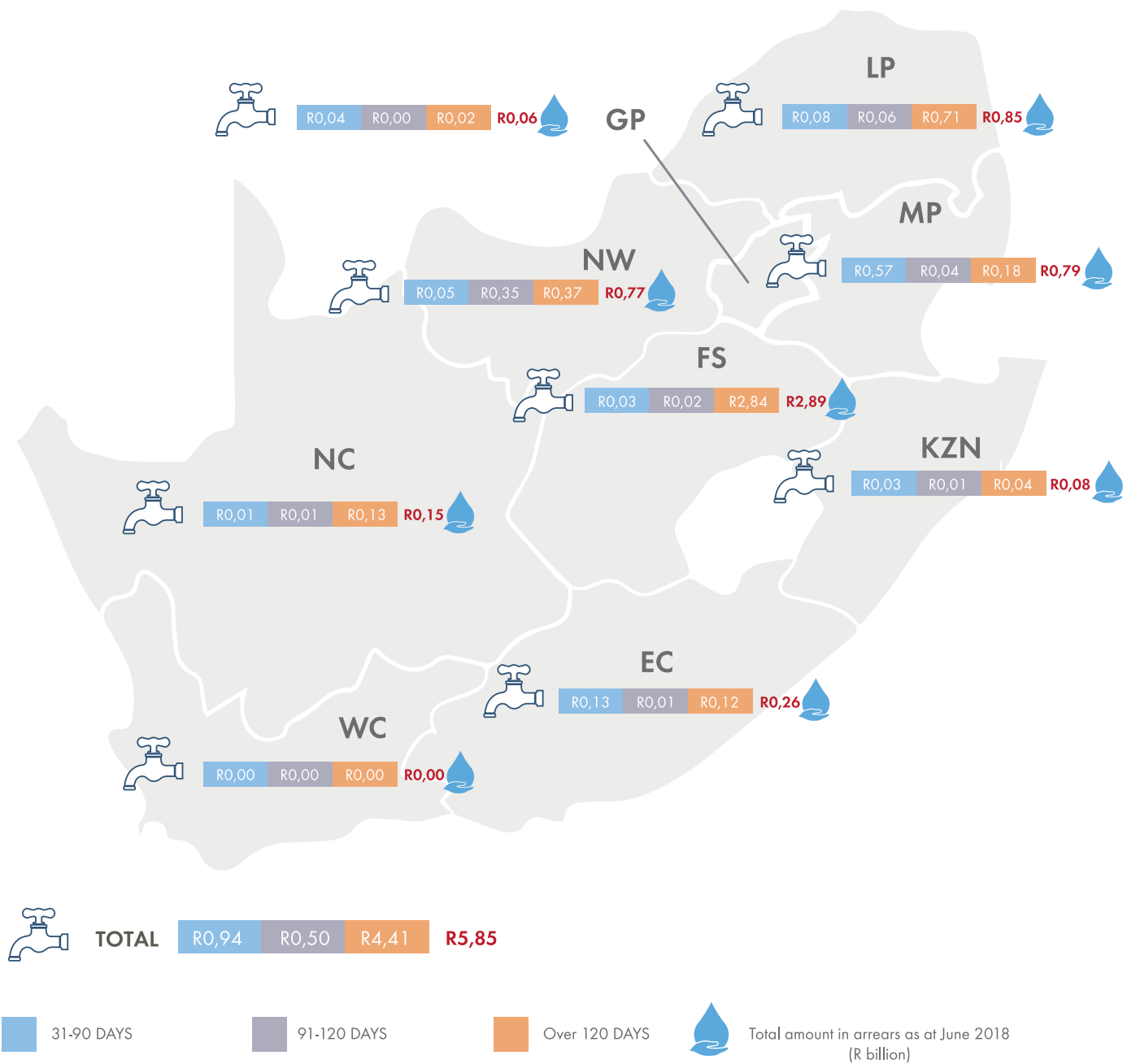
IMPACT OF FINANCIAL HEALTH ON PAYMENT OF UTILITIES – ESKOM



Top 3 contributors to outstanding amount in arrears (R billion)

MUNICIPALITY	31 – 90 DAYS	91 – 120 DAYS	OVER 120 DAYS	AMOUNT IN ARREARS AS AT JUNE 2018
Emalahleni (MP)	R0,08	R0,01	R1,78	R1,87
Matjhabeng (FS)	R0,07	R0,03	R1,74	R1,84
Ngwathe (FS)	R0	R0,01	R0,91	R0,92

IMPACT OF FINANCIAL HEALTH ON PAYMENT OF UTILITIES – WATER BOARDS



65

Top 3 contributors to outstanding amount in arrears (R billion)

MUNICIPALITY	31 – 90 DAYS	91 – 120 DAYS	OVER 120 DAYS	AMOUNT IN ARREARS AS AT JUNE 2018
Matjhabeng (FS)	R0,01	R0	R2,29	R2,30
Mopani District (LP)	R0,07	R0,06	R0,71	R0,84
Msukaligwa (MP)	R0,49	R0	R0	R0,49



INFRASTRUCTURE DEVELOPMENT AND MAINTENANCE

PROJECT MANAGEMENT WEAKNESSES REMAINED WIDESPREAD



MANAGEMENT OF INFRASTRUCTURE GRANTS – compliance with Division of Revenue Act slightly regressed to 81%

	 FUNDING	 MUNICIPAL INFRASTRUCTURE GRANT (MIG) 196 municipalities	 PUBLIC TRANSPORT NETWORK GRANT (PTNG) 10 municipalities	 URBAN SETTLEMENTS DEVELOPMENT GRANT (USDG) 7 metros	* REGIONAL BULK INFRASTRUCTURE GRANT (RBIG) 28 municipalities	* WATER SERVICES INFRASTRUCTURE GRANT (WSIG) 73 municipalities
Available to spend (percentage of funds spent)		R14,27 billion (95%) ▲	R5,64 billion (84%) ▼	R10,53 billion (98%) ▲	R2,17 billion (86%)	R2,96 billion (86%)
Underspending by more than 10%		38 municipalities (19%) ▲	6 municipalities (60%) ▼	None ▲	10 municipalities (36%)	27 municipalities (37%)
Used for intended purpose		184 of the 193 municipalities tested (95%) ▼	10 municipalities (100%) ▲	6 metros (86%) ▼	23 of the 24 municipalities tested (96%)	66 of the 67 municipalities tested (99%)
	 FINDINGS (per audited project funded by grant)	 MUNICIPAL INFRASTRUCTURE GRANT (MIG) 407 projects	 PUBLIC TRANSPORT NETWORK GRANT (PTNG) 13 projects	 URBAN SETTLEMENTS DEVELOPMENT GRANT (USDG) 25 projects	* REGIONAL BULK INFRASTRUCTURE GRANT (RBIG) 34 projects	* WATER SERVICES INFRASTRUCTURE GRANT (WSIG) 96 projects
Planned completion date for project not achieved and/or project stage of completion not assessed		27% ▲	38% ▲	28% ▼	24%	28%
Project stage of completion assessed by municipality incorrect		3% ▲	None ▲	None ▲	9%	4%
Supply chain management findings		24% ▲	15% ▼	None ▲	21%	33%
Projects not correctly accounted for in financial statements		6% ▲	None ▲	None ▲	18%	13%

*We did not report on RBIG and WSIG in previous year

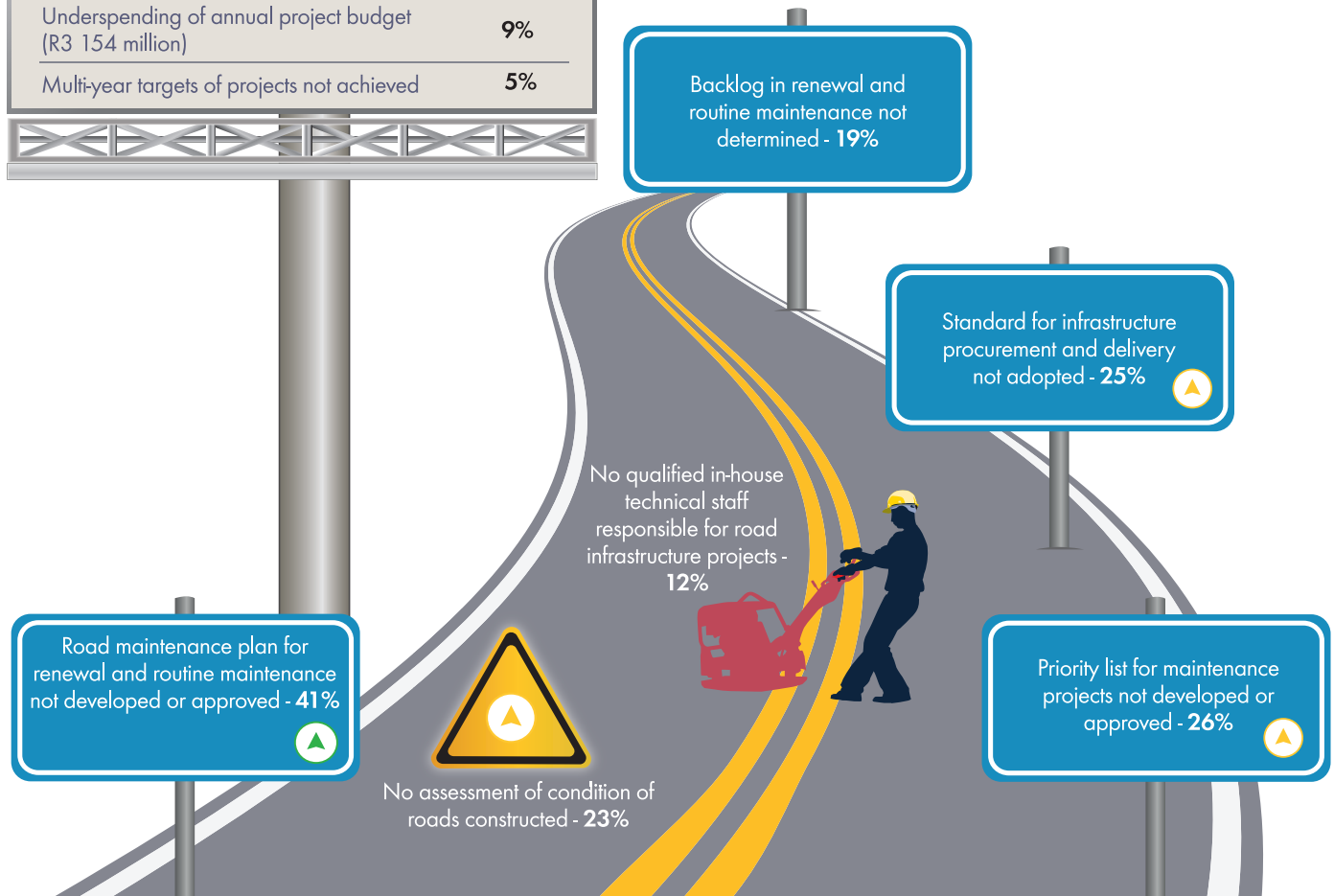


ROAD INFRASTRUCTURE – 177 municipalities responsible for road infrastructure

Project-related findings – 186 projects audited

Annual targets of projects not achieved	20%
Irregular expenditure incurred (R297 million)	20%
Supply chain management findings	20%
Projects not correctly accounted for in financial statements	13%
Underspending of annual project budget (R3 154 million)	9%
Multi-year targets of projects not achieved	5%

Findings on maintenance of road infrastructure



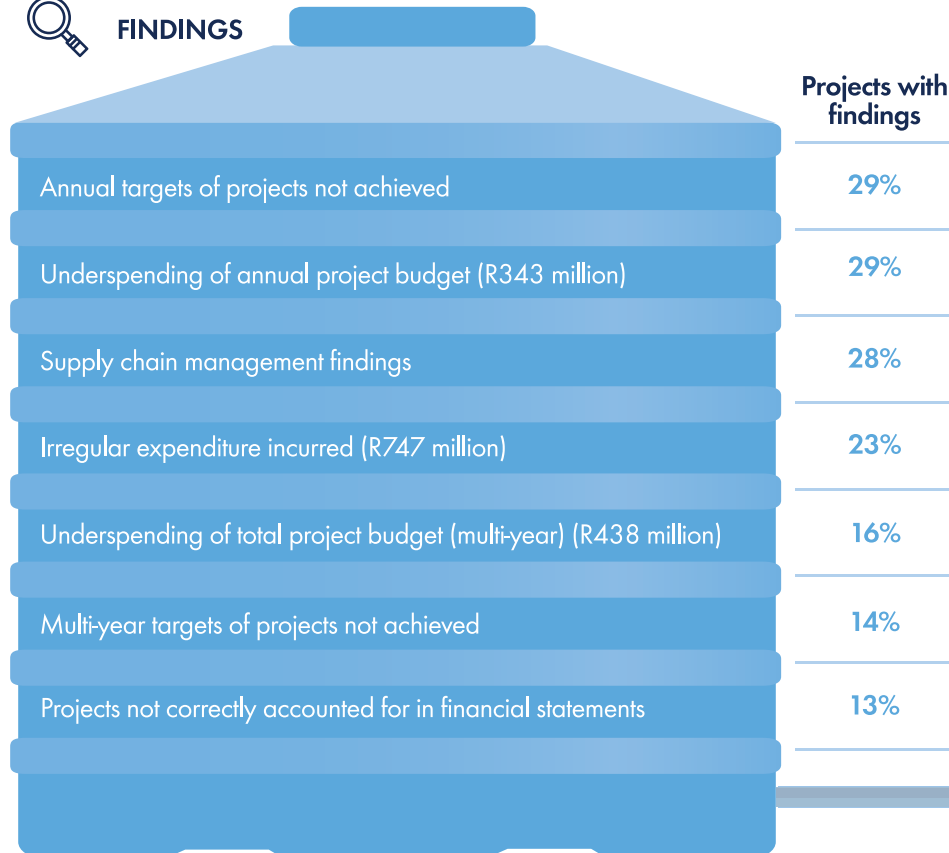


WATER INFRASTRUCTURE AND EXTENT OF WATER LOSSES – 122 municipalities responsible for water infrastructure

Project-related findings – 104 projects audited

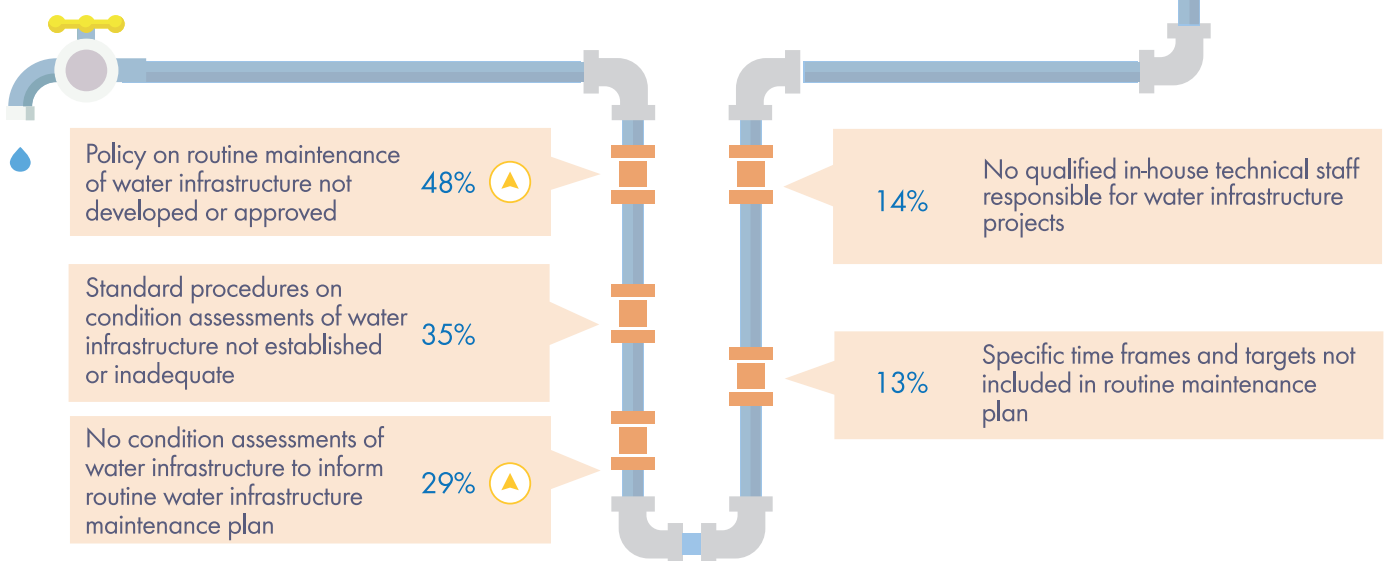


FINDINGS

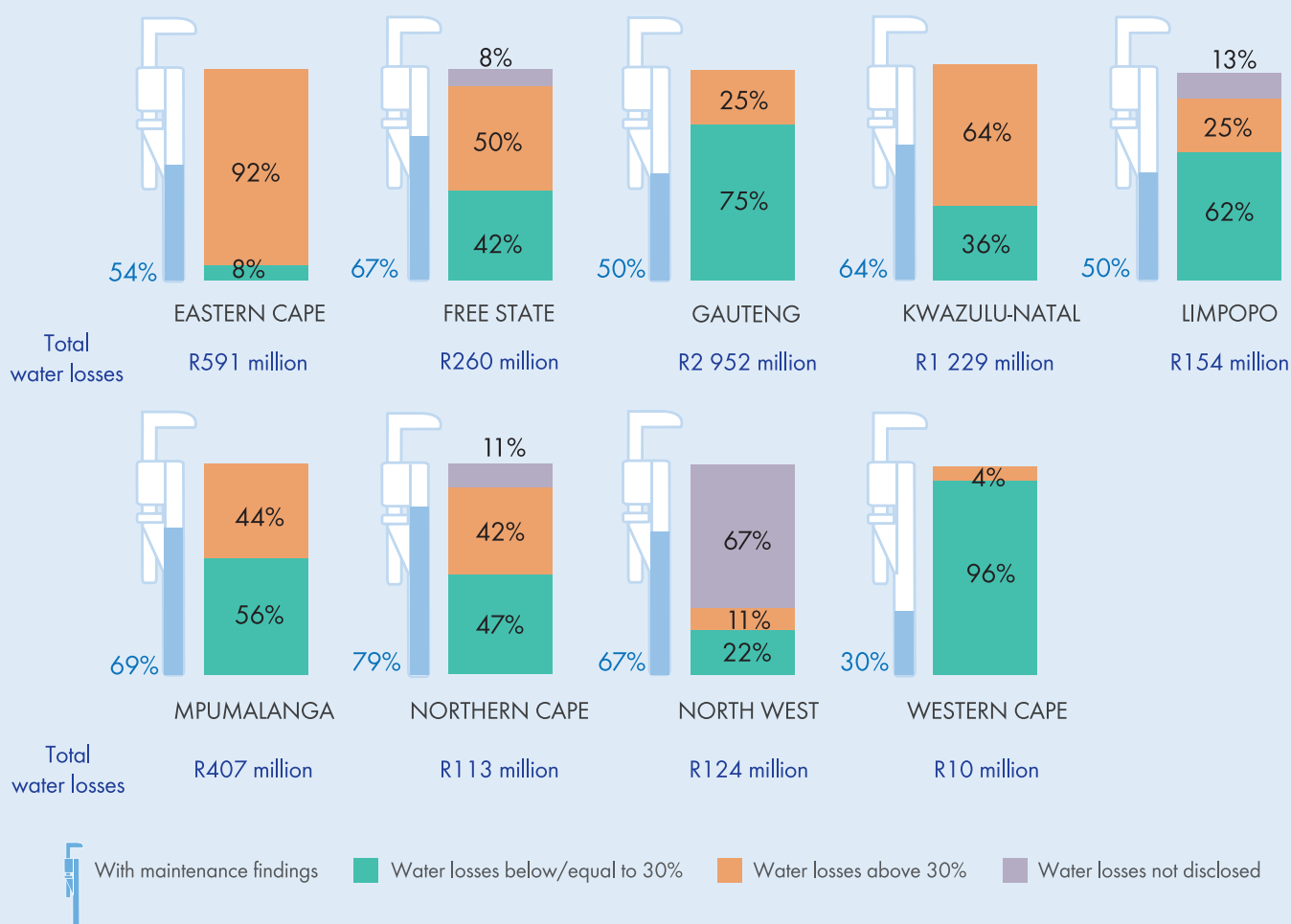
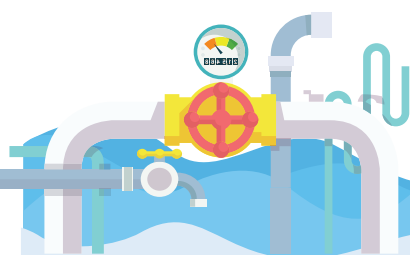


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Findings on maintenance of water infrastructure




Maintenance weaknesses and water losses

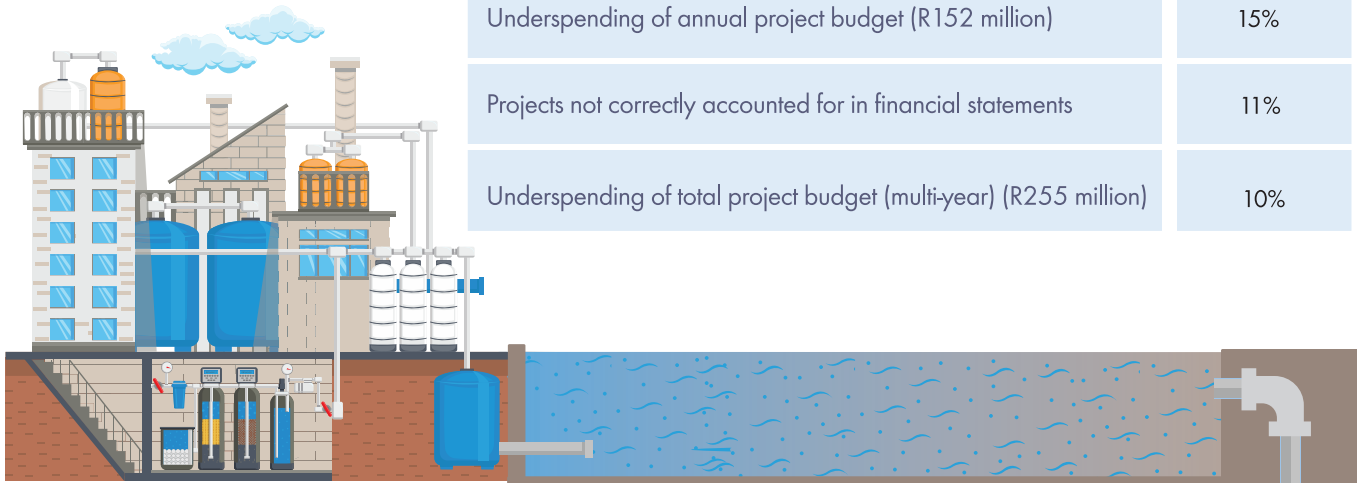




SANITATION INFRASTRUCTURE – 122 municipalities responsible for sanitation infrastructure

Project-related findings – 96 projects audited

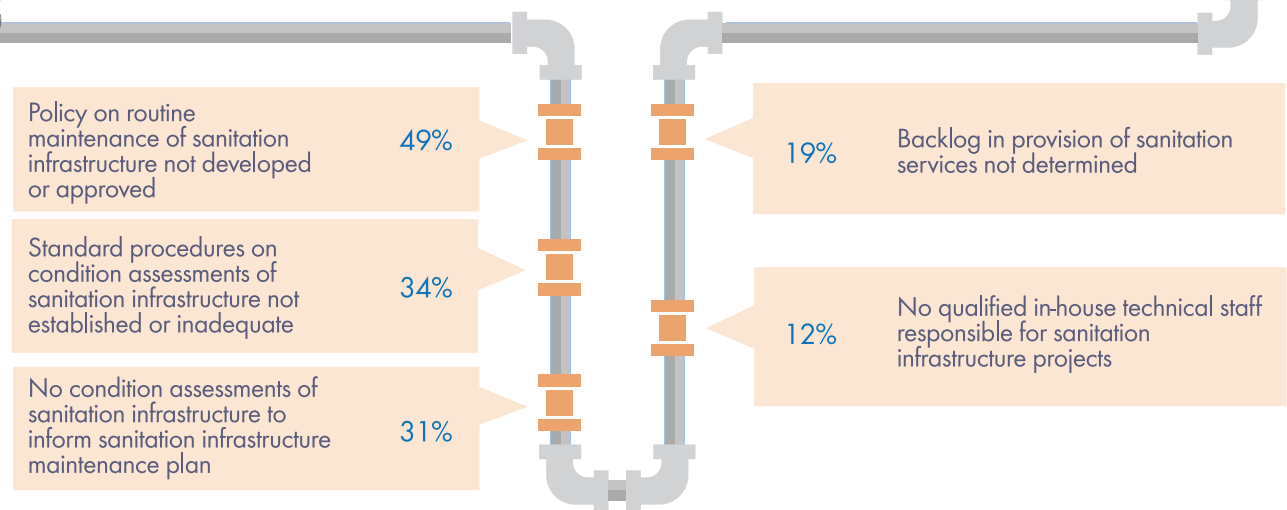
 FINDINGS	Projects with findings
Annual targets of projects not achieved	39%
Irregular expenditure incurred (R1 241 million)	32%
Supply chain management findings	31%
Multi-year targets of projects not achieved	16%
Underspending of annual project budget (R152 million)	15%
Projects not correctly accounted for in financial statements	11%
Underspending of total project budget (multi-year) (R255 million)	10%



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Findings on maintenance of sanitation infrastructure



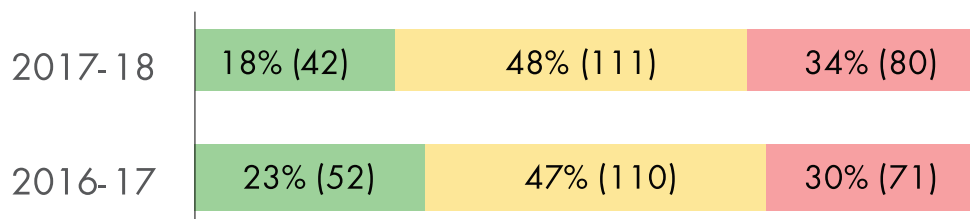


INTERNAL CONTROL



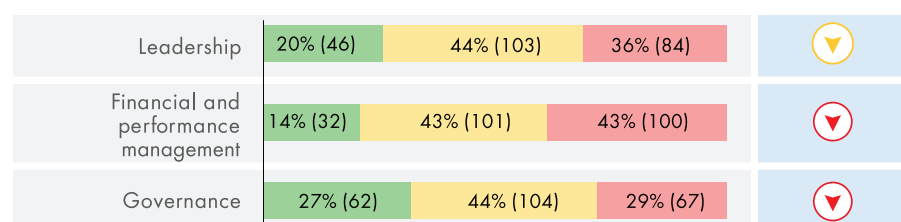
SLIGHT REGRESSION IN OVERALL STATUS OF INTERNAL CONTROL

OVERALL STATUS OF INTERNAL CONTROL



DRIVERS OF INTERNAL CONTROL

MOVEMENT

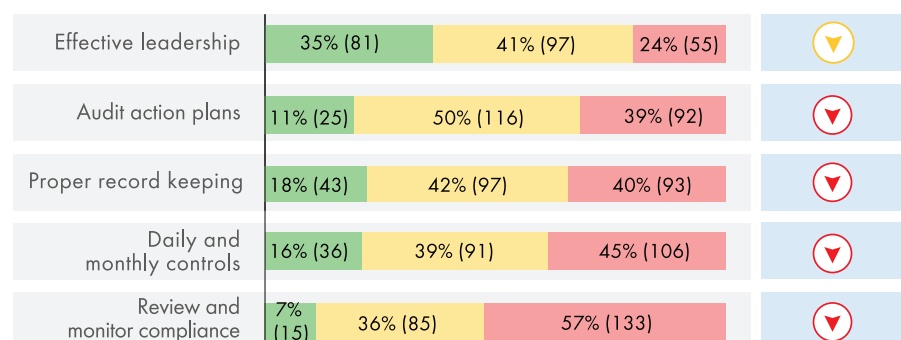


Good internal control is the key to ensuring that municipalities deliver on their priorities in an effective, efficient and economical manner

It will also ensure that municipalities produce quality financial statements and performance reports, and comply with applicable legislation

BASIC CONTROLS

MOVEMENT



5 of the 7 basic controls should receive specific attention to improve and sustain audit outcomes

Refer to human resource (HR) management section for HR controls and information technology (IT) controls section for IT governance controls

Good Of concern Intervention required

PROGRESS MADE IN IMPROVING DRIVERS OF INTERNAL CONTROL

Province	Leadership	Financial and performance management	Governance
Eastern Cape	Downward arrow	Downward arrow	Upward arrow
Free State	Downward arrow	Downward arrow	Downward arrow
Gauteng	Downward arrow	Downward arrow	Downward arrow
KwaZulu-Natal	Downward arrow	Downward arrow	Downward arrow
Limpopo	Upward arrow	Downward arrow	Upward arrow
Mpumalanga	Upward arrow	Downward arrow	Downward arrow
Northern Cape	Downward arrow	Downward arrow	Upward arrow
North West	Downward arrow	Downward arrow	Downward arrow
Western Cape	Downward arrow	Downward arrow	Downward arrow
Total	Downward arrow	Downward arrow	Downward arrow





HUMAN RESOURCE (HR) MANAGEMENT



SLIGHT REGRESSION IN GOOD
HR MANAGEMENT CONTROLS
FROM 25% (58) TO 24% (55)

AVERAGE VACANCY RATES

OVERALL 21%

SENIOR MANAGEMENT 25%

FINANCE UNITS 17%

Resourcing of 46% (108) of the finance units assessed as either concerning or requiring intervention

KEY POSITIONS - VACANCIES, STABILITY AND ACHIEVEMENT OF COMPETENCY REQUIREMENTS

MUNICIPAL MANAGER

VACANCIES 18% (43)

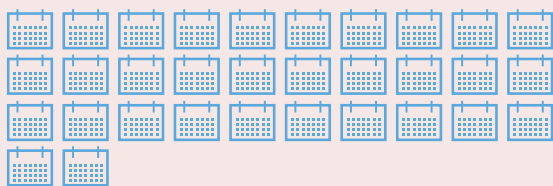
VACANT for less than 6 months - 4% (10)



VACANT for 6 months or more - 14% (33)



STABILITY 32 months (Average number of months in position)



MET COMPETENCY REQUIREMENTS 92% (175)

Did not meet minimum requirements - 5% (9)



Minimum competencies not assessed/
limitations - 3% (6)



CHIEF FINANCIAL OFFICER

VACANCIES 22% (51)

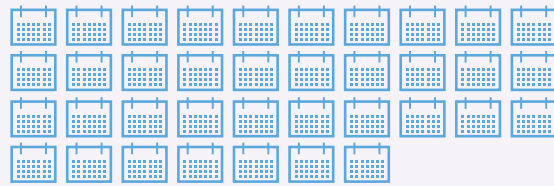
VACANT for less than 6 months - 6% (15)



VACANT for 6 months or more - 16% (36)



STABILITY 37 months (Average number of months in position)



MET COMPETENCY REQUIREMENTS 93% (170)

Did not meet minimum requirements - 4% (7)



Minimum competencies not assessed/
limitations - 3% (5)



STABILITY* IN KEY POSITIONS PRODUCED BETTER AUDIT OUTCOMES

MUNICIPAL MANAGER

*Average number of months in position



CHIEF FINANCIAL OFFICER

*Average number of months in position



Unqualified with no findings



Unqualified with findings



Qualified with findings



Adverse or disclaimed with findings



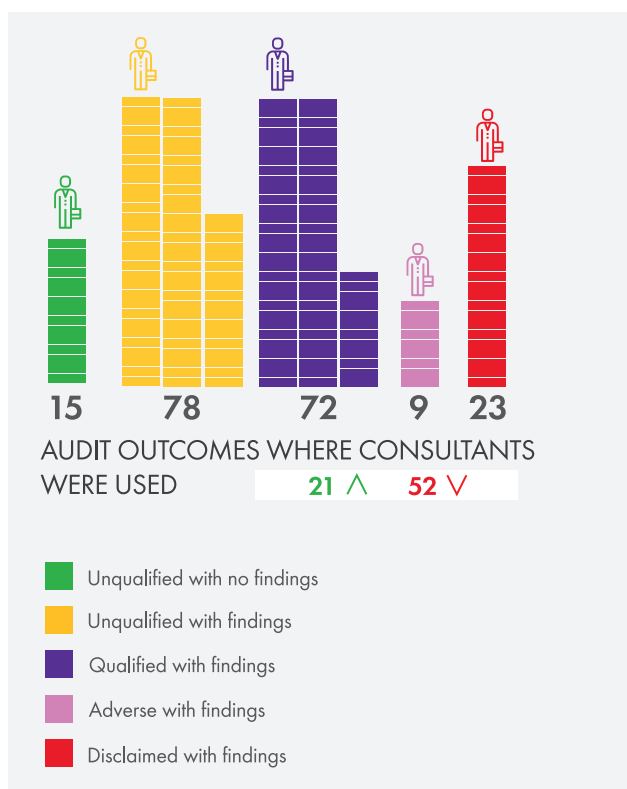
EFFECTIVE USE OF CONSULTANTS

Local government spent an estimated **R3 479 million** on consultancy services in 2017-18

FINANCIAL REPORTING SERVICES

197 municipalities used consultants for financial reporting services at a cost of **R907 million** (2016-17: R760 million)

Province	EC	FS	GP	KZN	LP	MP	NC	NW	WC
Cost (R million)	166	50	91	95	177	134	40	124	30



REASONS WHY CONSULTANTS WERE INEFFECTIVE



AUDITEE INEFFECTIVENESS

43% (66)



POOR PROJECT MANAGEMENT

20% (31)



CONSULTANT DID NOT DELIVER

14% (22)



LACK OF RECORDS AND DOCUMENTS

12% (19)



CONSULTANT APPOINTED TOO LATE

10% (15)

66% (153) of the financial statements submitted for auditing included material misstatements in the areas in which consultants did work

Province	EC	FS	GP	KZN	LP	MP	NC	NW	WC
Financial statements submitted with material misstatements in areas in which consultants did work	26	10	4	24	21	13	21	21	13

23% (43) of the municipalities did not follow proper procurement procedures when appointing consultants, resulting in irregular expenditure of **R181 million**

Consultants at **9% (4)** of these municipalities were appointed through a contract secured by another municipality without following the prescribed process

ALL SERVICES

224 municipalities used consultants for a variety of services – at **67%**, significant management weaknesses were identified in the following areas:

- 61%** Performance management and monitoring
- 42%** Transfer of skills
- 29%** Planning and appointment process



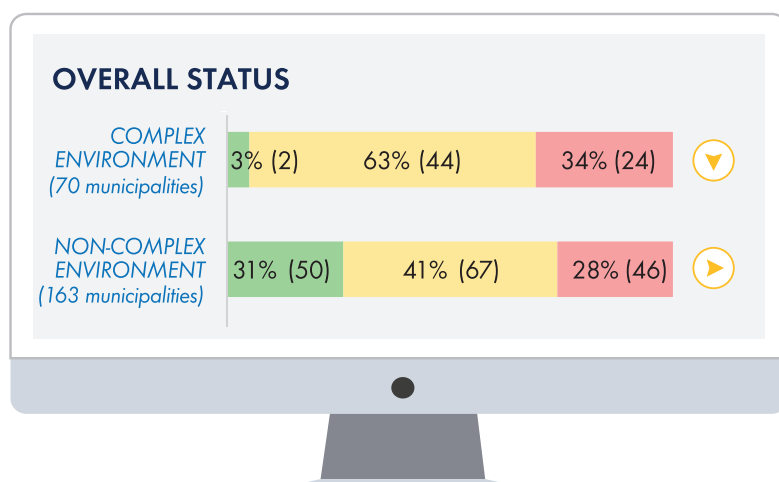


INFORMATION TECHNOLOGY (IT) CONTROLS



SLIGHT REGRESSION
IN IT CONTROLS

An inherent part of the control environment at municipalities is the status of their IT controls. IT controls ensure the **confidentiality**, **integrity** and **availability** of state information; enable **service delivery**; and promote **security** in local government.



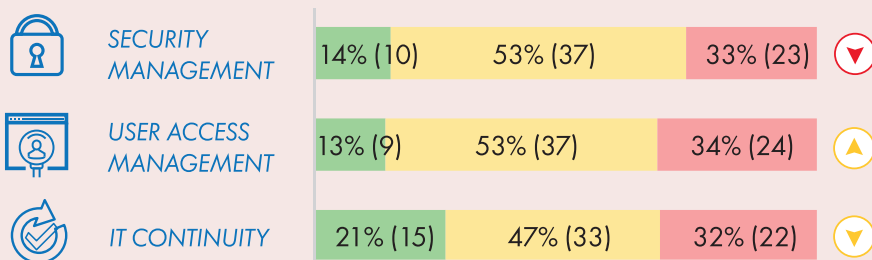
Municipalities with a **complex IT environment** have sophisticated hardware (e.g. more than one server and operating system) and software (e.g. customised applications); employ advanced technologies and transact online; and rely heavily on IT controls for financial and performance information

Municipalities with a **non-complex IT environment** use less sophisticated hardware and software (i.e. commercial off-the-shelf infrastructure and applications), while key controls over financial and performance information do not overly rely on IT

COMPLEX ENVIRONMENT



INFORMATION TECHNOLOGY FOCUS AREAS



Good

Of concern

Intervention required



USE OF INFORMATION TECHNOLOGY CONSULTANTS

Reasons for using IT consultants

Only 12 municipalities made use of IT consultants at a total approximate cost of R246 million – a decrease of 54% from previous year's approximate cost of R540 million



LACK OF ADEQUATE SKILLS OF PERMANENT STAFF IN IT SECTION
84% (11)



EMERGENCY ARRANGEMENT DUE TO CAPACITY CHALLENGES
8% (1)



DELIVERY OF VALUE-ADDED SERVICES (SPECIFIC FUNCTION DOES NOT EXIST AS PER APPROVED STRUCTURE)
8% (1)



MUNICIPAL STANDARD CHART OF ACCOUNTS (mSCOA) – IMPLEMENTATION

mSCOA NOT YET IMPLEMENTED AT SOME MUNICIPALITIES DESPITE BEING GIVEN FOUR YEARS TO DO SO

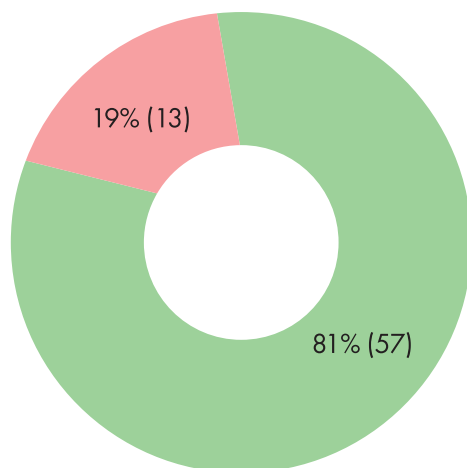
The Municipal Regulations on Standard Chart of Accounts were gazetted on 22 April 2014, with an effective date of 1 July 2017 (thus from the 2017-18 financial year). By this date, mSCOA had still not been implemented at all municipalities, including three of the metros (City of Tshwane, Nelson Mandela Bay and City of Johannesburg). At some municipalities, the implementation of mSCOA resulted in the late submission of financial statements and/or material misstatements in the submitted financial statements.

The reasons for not implementing mSCOA included a lack of money to start implementation, a failure to use internal audit units for support from a project assurance perspective, the complexity of some systems as well as capacity and skills constraints.

The data migration as part of mSCOA implementation was not always successful due to, amongst others, challenges with regard to data cleansing and data mapping processes. Significant differences were also identified at some municipalities with regard to the completeness, accuracy and occurrence of the migrated data.

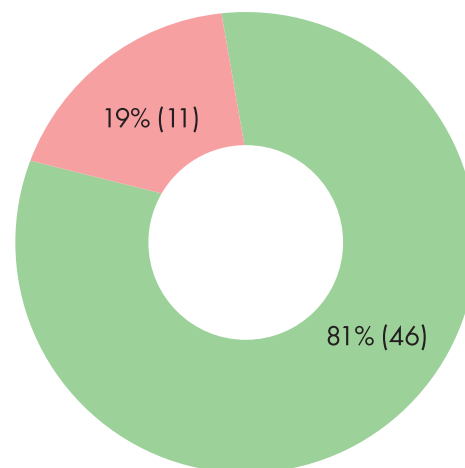
COMPLEX INFORMATION TECHNOLOGY SYSTEMS

mSCOA implementation



- mSCOA implemented at municipalities
- mSCOA not implemented at municipalities

mSCOA data migration



- Successful data migration
- Unsuccessful data migration





SUPPORT TO LOCAL GOVERNMENT BY DEPARTMENTS OF COOPERATIVE GOVERNANCE

MEDIUM-TERM STRATEGIC FRAMEWORK'S OUTCOME 9: A RESPONSIVE, ACCOUNTABLE, EFFECTIVE AND EFFICIENT DEVELOPMENTAL LOCAL GOVERNMENT SYSTEM

The Department of Cooperative Governance, its provincial counterparts and the Municipal Infrastructure Support Agent have a monitoring and supporting role to play in achieving outcome 9, as defined in sub-outcomes 1 to 4. The information in this section deals with sub-outcomes 1, 3 and 4 as well as the back-to-basics programme.

SUB-OUTCOME 1: MEMBERS OF SOCIETY HAVE SUSTAINABLE AND RELIABLE ACCESS TO BASIC SERVICES

Role: Support municipalities to establish a municipal asset management system

- Municipal Infrastructure Support Agent purchased asset management software during 2015-16 at a cost of R34 million and provided training to over 150 municipalities – it is used by only 28 municipalities
- 73 municipalities responsible for infrastructure assets do not use any asset management system

PROVINCE	EASTERN CAPE	FREE STATE	GAUTENG	KWAZULU-NATAL	LIMPOPO	MPUMALANGA	NORTHERN CAPE	NORTH WEST	WESTERN CAPE
Municipalities not using municipal asset management system	55% (21)	36% (5)	0% (0)	12% (6)	44% (11)	37% (7)	46% (12)	43% (9)	7% (2)

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SUB-OUTCOME 3: DEMOCRATIC, WELL-GOVERNED AND EFFECTIVE MUNICIPAL INSTITUTIONS CAPABLE OF CARRYING OUT THEIR DEVELOPMENT MANDATE AS PER THE CONSTITUTION

Role: Support the output of 'putting people first' through public participation at ward level

- The Department of Cooperative Governance did not achieve its target of developing 4 392 ward committee operational plans in collaboration with provincial cooperative governance departments and municipalities – we could not obtain sufficient audit evidence to support the actual achievement of 2 253 reported in the department's performance report
- Provincial cooperative governance departments were required to plan and report on their role to support municipalities in improving public participation using three customised performance indicators – Eastern Cape did not report on any of the indicators and KwaZulu-Natal excluded one

FINDINGS	PROVINCE										MOVEMENT
	EASTERN CAPE	FREE STATE	GAUTENG	KWAZULU-NATAL	LIMPOPO	MPUMALANGA	NORTHERN CAPE	NORTH WEST	WESTERN CAPE	TOTAL	
Ward committees not established for each ward	3	1	1	1	0	0	2	1	0	9	▲
Ward-level improvement plans not submitted for auditing	1	0	0	2	0	1	0	1	0	5	▲
Ward-level improvement plans not developed	3	3	0	1	0	3	5	5	2	22	▲
Ward-level improvement plans did not address basic concerns of citizens in ward	0	0	0	1	0	1	0	1	0	3	▲



SUB-OUTCOME 4: SOUND FINANCIAL AND ADMINISTRATION MANAGEMENT

Role: Support municipalities in resolving long-outstanding debt owed to and by municipalities

The Department of Cooperative Governance achieved its target of 30 municipalities implementing municipal-specific revenue plans by 31 March 2018

Provincial cooperative governance departments were required to plan and report on support with revenue management and debt collection to municipalities:

- Northern Cape did not achieve targeted number of municipalities to support and Limpopo's reported achievement was not reliable
- North West and Free State did not provide support to municipalities on debt collection

Although only a limited number of municipalities could be targeted, the overall aim of these initiatives was to find viable solutions to the problems of low collection, debt over 90 days, and non-payment of creditors by municipalities within 30 days – the initiatives did not achieve the required results, as most municipalities are still paying creditors after 30 days and are not collecting debt as soon as possible

IMPLEMENTATION OF BACK-TO-BASICS (B2B) PROGRAMME

The B2B programme is a key initiative of the Department of Cooperative Governance to strengthen local government by getting the basics right – the department can only monitor the success of the programme's implementation based on the required monthly reporting by municipalities












SLIGHT REGRESSION IN NUMBER OF MUNICIPALITIES NOT REPORTING ON A MONTHLY BASIS

No monthly reporting on B2B

2017-18                                   16% (37)

2016-17                                   15% (36)

PROVINCE		EASTERN CAPE	FREE STATE	GAUTENG	KWAZULU-NATAL	LIMPOPO	MPUMALANGA	NORTHERN CAPE	NORTH WEST	WESTERN CAPE
No monthly reporting on B2B	2017-18	24% (9)	14% (2)	0% (0)	4% (2)	0% (0)	16% (3)	35% (9)	38% (8)	14% (4)
	2016-17	39% (15)	29% (4)	0% (0)	6% (3)	0% (0)	5% (1)	19% (5)	29% (6)	7% (2)
	Movement									

Overall, the B2B programme has not had the desired impact, as noted from the poor audit outcomes and financial health concerns

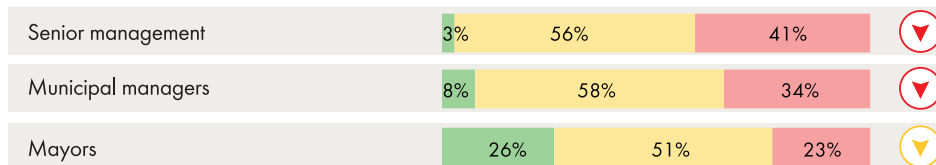


ASSURANCE PROVIDERS



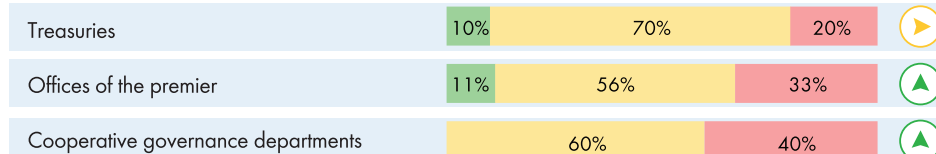
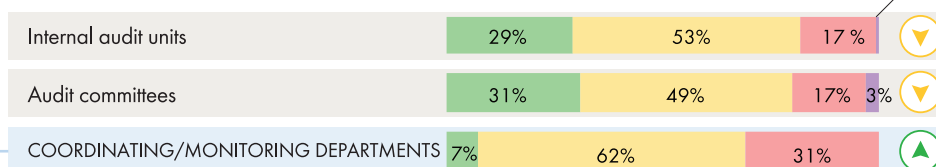
OVERALL REGRESSION IN ASSURANCE
PROVIDED BY ROLE PLAYERS

ASSURANCE PROVIDED BY MANAGEMENT / LEADERSHIP

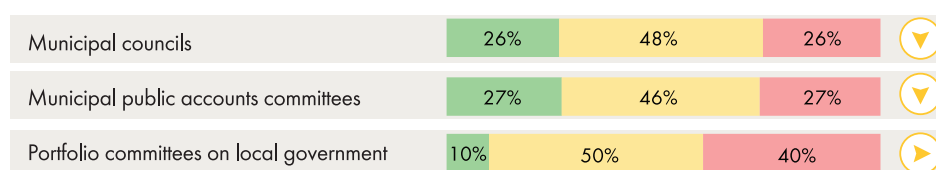


Low levels of assurance show a breakdown in a crucial element of the improvement cycle, being the monitoring to ensure that internal controls are adhered to, risks are managed, and outcomes are achieved

INTERNAL INDEPENDENT ASSURANCE AND OVERSIGHT

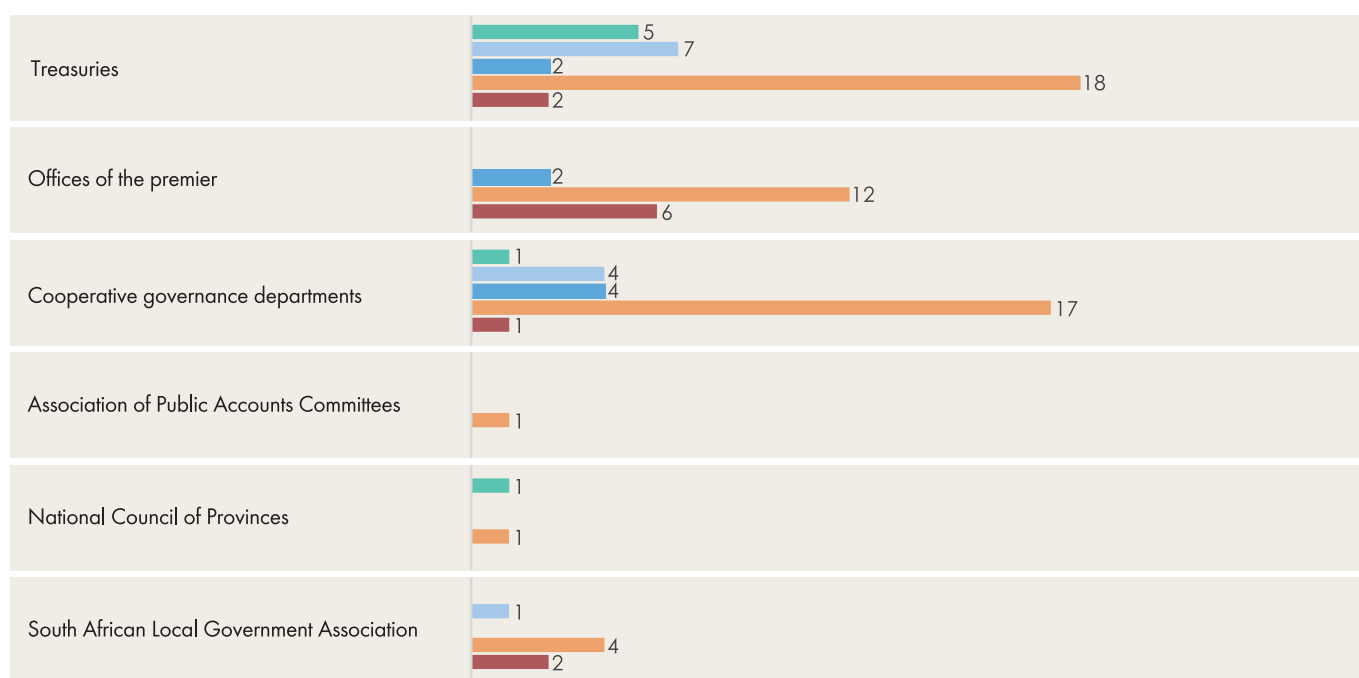


EXTERNAL INDEPENDENT ASSURANCE AND OVERSIGHT



Provides assurance Provides some assurance Provides limited/no assurance Not established

STATUS OF COMMITMENTS MADE IN PRIOR YEARS BY NATIONAL AND PROVINCIAL ROLE PLAYERS TO SUPPORT LOCAL GOVERNMENT



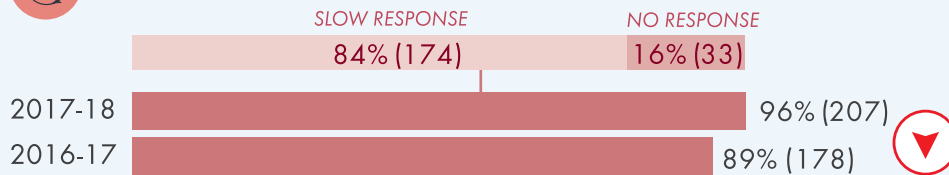
Completed - significant impact Completed - limited impact Completed - no impact In progress Not implemented

FINDINGS	INTERNAL AUDIT UNITS	AUDIT COMMITTEES
Fully compliant with legislation	77% (171)	78% (169)
Positive impact on audit outcomes	35% (78)	53% (116)
Evaluates reliability of financial information	87% (194)	94% (204)
Evaluates reliability of performance information	86% (191)	91% (197)
Evaluates compliance with key legislation	88% (196)	92% (199)
Interacts with executive authority	N/A	90% (195)



ROOT CAUSES

SLOW OR NO RESPONSE IN IMPROVING INTERNAL CONTROLS AND ADDRESSING RISK AREAS



No response most evident in:
Free State – **79%**
North West – **48%**

INADEQUATE CONSEQUENCES FOR POOR PERFORMANCE AND TRANSGRESSIONS



Lack of consequences most common in:
North West – **100%**
Free State – **100%**
Limpopo – **92%**

INSTABILITY OR VACANCIES IN KEY POSITIONS OR KEY OFFICIALS LACKING APPROPRIATE COMPETENCIES



Vacancies, instability or lack of competencies most prominent in:
Limpopo – **100%**
North West – **100%**
Free State – **93%**



ACCOUNTABILITY ↓

=

SLOW/NO RESPONSE ↑
BY MANAGEMENT



NOTES