



## Joint Media Statement

For Immediate Release

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### **2016/17 MUNICIPAL AUDIT OUTCOMES**

The AGSA presented the preliminary 2016/17 Audit Outcomes to the Premier Coordinating Forum on 17 May 2018. Based on this presentation and deliberations COGTA, Treasury and SALGA were mandated to come up with a turnaround plan to address finance, service delivery and governance issues in municipalities. The AGSA's report focuses on the theme "Accountability failures".

We acknowledge and concur with AGSA that accountability is a critical component of ensuring good governance. We have observed that where there's good governance there's also service delivery. We note the concerns raised by AGSA regarding the municipalities/auditees that have regressed. Of concern was a high vacancy rate in critical senior management positions, i.e Municipal Managers, CFOs and Supply Chain Managers. Furthermore, performance of MPAC and Audit Committees was raised as a great concern. EXCO and SALGA supports the amendments to the Public Audit Amendment Bill which will also drive consequence management where this is lacking at municipalities.

The results for 2016/17 financial year are as follows;

Thirteen (13) municipalities sustained Unqualified Audit outcomes with findings, while two (2) sustained qualified audit opinions while 7 auditees regressed. Main worry to EXCO and SALGA is the results of municipality that received Adverse outcomes and four that received Disclaimers.

The Province has noted the poor quality of submitted Annual Financial Statements (AFS). The Provincial Treasury is coordinating a multidisciplinary approach to addressing systematic areas of concern including overseeing the implementation of response plans.

The municipalities internal auditors will be capacitated to ensure that they regularly review progress on the audit action plans, and review completeness of the audit files and verify supporting documents.

The National Treasury and National CoGTA have signed a Memorandum of Understanding in which the financial functions of the MFMA will now be housed with the Provincial Treasury and Governance functions with CoGTA. This approach will streamline, enhance the support functions and eliminate duplication of functions and as a result more attention will be given to municipalities.

Provincial Treasury, COGTA and SALGA will continue to support all municipalities in the province on the following areas:

- Funded budgets
- Revenue management
- Prevention of unauthorised and fruitless expenditure
- Strengthen procurement processes
- Audit Support (including the SALGA's MASP Programme)
- Implementation of mSCOA
- Functionality of Audit Committees
- Empowering Councillors to perform their oversight role effectively and thereby enhance Accountability and Consequence Management
- Head Count

The critical success factors in addressing all the risks identified above, require a relatively stable political environment and a healthy professional relationship between the Administration and the Executive with clear lines of accountability.

The stakeholders mentioned above are committed to work with Municipalities to ensure local government can be incrementally and skilled improved in: Leadership, Governance, Financial Management and Institutional Capacity. We are that if these 4 pillars are improved then the resultant audit outcomes will improve.

We commend the Auditor General for the continuing efforts in strengthening accountability and highlighting the state of local government in managing the public purse.

Issued by the Premier, CoGTA, Treasury and SALGA Communication:

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