



cooperative governance
and traditional affairs

Department of Cooperative Governance
and Traditional Affairs
FREE STATE PROVINCE



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Department of
Treasury
FREE STATE PROVINCE

Joint Media Statement

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MEDIA STATEMENT – FREE STATE PROVINCIAL TREASURY AND COGTA

2017/18 – MUNICIPAL AUDIT OUTCOMES

The Free State Departments of Cooperative Governance and Traditional Affairs and Provincial Treasury have noted the report on the audit outcomes of municipalities for the 2017/2018 financial year.

The outcomes shows that three (3) FS municipalities have received unqualified audits, fifteen (15) had qualified opinions (*improvements from disclaimer to a qualified*), three (3) moved from a disclaimer to a qualification audit opinions and two received disclaimers.

We emphasise that governance structures should hold officials accountable for poor quality and late submission of financial statements.

Note, should be taken that three municipalities under Section 139 interventions namely Mafube, Masilonyana and Maluti a Phofung have still not complied with the Municipal Finance Management Act, 2003 on timely submission of annual financial statements, delays in submission should not be tolerated.

Concerning is the statement by the Auditor General of South Africa which indicated that there was a total breakdown in internal controls in Free State Municipalities. Our further despondence was that that most of the Municipal leadership did not implement the Auditor General's recommendations which resulted in the significant deterioration of municipal audit outcomes, service delivery and financial health of municipalities.

National and Provincial Government, in partnership with SALGA, have been providing support and capacitating municipalities in specialised technical areas such as mSCOA, Asset Management, Supply Chain Management, Revenue Management, Internal Audit, Risk Management, Audit Action Plans, Audit Readiness Programs, Financial Recovery Planning, the Municipal Audit Support Programme (MASP) and other related fields within municipalities struggling with capacity.

We congratulate Lejweleputswa, Moqhaka and Xhariep Municipalities that have received unqualified audits outcomes and the three municipalities that have also improved from a disclaimer to a qualifications namely: - Letsemeng, Mohokare and Nketoana Local Municipalities. Ideally, we would like this success to be repeated and improved at all municipalities in the audit outcomes for the 2018/2019 financial year.

Provincial Treasury has also urged all municipalities to analyse the Auditor-General's findings and implement immediate consequence management measures where required, in light of the amended Public Audit Act. CoGTA will be convening municipal CFOs on Friday, 12th July 2019, to try and understand, from their own perspective, what are the challenges and forward tangible solutions.

The provincial government would also like to see a situation where Mayors and Municipal Managers who have failed to apply due diligence facing sanctions in terms of all incurred wasteful and irregular public funds. It is clear that all legislation, policies and regulations have to be enforced if they are to yield the desired outcomes. We need to get serious about improving municipal audit outcomes across all municipalities.

In an effort to stabilise municipalities, all stakeholders will continue assisting municipalities to improve their audit outcomes through targeted support programmes and regular engagements with all municipalities in the province.

To this effect, the MEC for CoGTA had an early meeting with the Provincial Office Bearers of SALGA on the 3rd July 2019.

One of the key decisions taken by the meeting was that SALGA would have to assist municipalities to improve their audit outcomes, the very same officials of SALGA that ensure perennial clean audits for the association, should be brought in the local sphere to assist SALGA's member municipalities.

As we reflect on these municipal audit outcomes, we are reminded of President Ramaphosa's profound words in the state of the nation address to remain positive:

“Let us make these commitments now – to ourselves and to each other – knowing that they will stretch our resources and capabilities, but understanding that if we achieve these goals, we will have fundamentally transformed our society”.

This, however, does not mean that we can condone repeated failures where there is no evidence of improvement.

In order to support distressed municipalities, the provincial government will deepen & strengthen its support programmes such as municipal technical support and recovery programmes to transform municipal reporting efficiencies which will correlate to better service delivery to our communities. In addition, benefits of these programmes will enhance the control environment.

In practice, no bonuses should be paid to officials in municipalities where the latest audit outcome was a disclaimer or an adverse opinion or where there has been no tangible improvement.

We close that great challenges and great opportunities awaits us all, with the municipal leadership and greater emphasis on efficiencies, we will meet these challenges together and transform them to grander opportunities in the coming months and years.

All political parties and interests in municipal councils need to show leadership as they are the ones elected by all of us to lead us in our localities. This scourge has afflicted all of us in this province.

The poor municipal audit outcomes signal an inability to comply. All municipalities must be required to join the government's transparent online transversal procurement system. The current practice of many municipalities simply using manual quotes is a breeding ground for looting.

Issued by the Free State Provincial Treasury and Department of Cooperative Governance and Traditional Affairs(COGTA).

For Inquiries Contact:

Tshidiso Mokokoane (Provincial Treasury)

mokokoane@treasury.fs.gov.za