



SALGA

South African Local Government Association

Local Government Brief: 03/2013

Audit Outcomes of the Local Government as at February 2013

Local Government Briefs are monthly electronic updates for municipalities on critical areas of law, policy, facts and data affecting the sector.

1. PURPOSE

The purpose of this brief is to draw attention to the local government audit outcomes as at 28 February 2013.

2. BACKGROUND

The fifth National Municipal Managers Forum hosted jointly by SALGA and Bojanala District Municipality in Rustenburg on 29-30 April 2013 reaffirmed the need for a national platform to strengthen the interface between SALGA and Municipal Managers. The forum continues to enable Municipal Managers to inform the work of SALGA by making technical inputs to various policy and legislative processes, collectively address issues affecting Municipal Managers and provide an opportunity for them to network and share knowledge.

3. DISCUSSION

Amongst others presenters, Mr Berry Wheeler from the National Treasury reflected on the status and progress of the local government audit outcomes as at 28 February 2013 and areas that should be focused on. He then identified vital actions to be undertaken and key role players.

Status and progress of audit outcomes of Local Government

Of the 245 auditees, 32 improved their audit outcomes, 170 remained unchanged, 43 regressed and 33 are outstanding. Mr Wheeler pointed out that there are material findings at almost all auditees regarding compliance with laws and regulations. He then drew attention to the following areas that must receive attention:

- Preparation of annual financial statements and annual report
- Establishment, operation and effectiveness of audit committees
- Management of assets and investments
- Approval and control of expenditure and payment within 30 days
- Management of procurement and contracts
- Prevention and follow up of unauthorised, irregular and/or fruitless and wasteful expenditure
- Quality of the financial statements submitted for auditing
- Quality of annual performance reports

There are material findings on the performance reports of the auditees of 79% of the auditees.

The following are areas that need to be focused on in order to improve audit outcomes:

- Supply Chain Management
- Quality of performance reports
- Human resource Management
- Quality of submitted financial statements
- Information Technology (IT) controls
- Financial health, going concern)

Mr Wheeler further pointed out that 76% of municipalities have been on an on-going basis used consultants to generate and prepare financial statement at a total costs of approximately R352 million. 159 municipalities used consultants because of a lack of technical skills, 02 for preparations of AFS and FAR, 13 due to vacancies, 13 stated other reasons for using consultants. As a result 09 municipalities received unqualified audits with no findings, 101 municipalities received unqualified audits with findings, 62 received qualified audits with findings, 72 received adverse/disclaimer. No skills transfer for the majority of municipalities that used consultants.

Vital actions to be taken

Improving the drivers of key controls will and addressing the continuing pervasive root causes will improve audit outcomes. This include filling of key positions with officials who have appropriate competencies; putting in place of consequences for poor performance and transgression,

quick response by political leadership in addressing the root causes of poor audit outcomes

Key role players

Extensive assurance should be provided by the key role players:

First level of assurance

Management/ leadership
Senior Management – Municipal Manager – Mayor

Second level of assurance (internal independent assurance and oversight)

Internal audit – audit committee – Treasury, COGTA, Premier’s Office

Third level assurance (external independent assurance and oversight)

Municipal Council – Municipal Public accounts committee – legislature and portfolio committee