

Media Statement

For immediate release

23 May 2018

AG FINDINGS CALL FOR AUDIT SUPPORT FOR MUNICIPALITIES TO BE INTENSIFIED

The Auditor General South Africa (AGSA)'s 2016/17 Audit Outcomes call for the ongoing Municipal Audit Support Program (MASP) to be intensified to improve accountability systems in troubled municipalities.

This is after the AG found that of the approximately R350 Billion total expenditure budget of 257 municipalities, 3,5% or R12,2 Billion of it was irregular expenditure mainly due to non-compliance with supply chain management regulations. In the majority, instances of non-compliance goods or services were received, however these were not necessarily at the best value for money.

In the 2015/16 Audit Outcomes, the AG recognised the MASP by the South African Local Government Association (SALGA) as an intervention that was assisting municipalities that obtained adverse audit opinions, disclaimers of audit opinions and those with audits that were not finalized by the legislated deadline.

However, SALGA is concerned by the latest findings that show regressions reflected in the quality of financial statements, quality of performance reporting, the financial health of municipalities and increases in unauthorized, irregular and fruitless or wasteful expenditure.

Hence, the AG's proposed amendments to the Public Audit Act which will also drive or incentivise consequence management where this is lacking at municipalities is welcomed. In a bid to intensify audit support, SALGA will be identifying appropriate capacity building interventions to enhance the capacity of municipalities to exercise strong accountability and consequence management.

Since the launch of the MASP in 2014, SALGA has provided hands-on support to selected municipalities in the form of assisting with financial accounting assistance, preparation of annual financial statements and providing technical reviews and guidance. In addition transversal support has been provided to all red zone municipalities through training in Councillor Capacity Building, Annual Financial Statements, Asset Management, Revenue Management, Revenue Enhancement, Debt Management as well as Internal Audit and Municipal Public Accounts Committee (MPAC) Workshops.

During the 2016/17 audit cycle SALGA is very pleased that amongst the 43 municipalities that was supported across the country, was the six municipalities that improved from a disclaimer or adverse opinion. These included Sundays River Valley and Inxuba Yethemba in the Eastern Cape, Mpofana in KwaZulu Natal, Emalahleni in Mpumalanga, Mafikeng in the North West, and Ga-Segonyana in the Northern Cape. Furthermore, through the MASP, the Prince Albert Municipality in the Western Cape also improved from an unqualified audit opinion with findings to a clean audit.

SALGA is committed to continue working with all key stakeholders, such as the Department of Cooperative Governance and Traditional Affairs, National and Provincial Treasuries, as well as municipalities to intensify audit support interventions for troubled municipalities in Leadership, Governance, Financial Management and Institutional Capacity, which are the four pillars of MASP.

SALGA also congratulates all the municipalities that performed well in the latest audit, and commends the AG for its continuing efforts in strengthening accountability and highlighting the state of local government in managing the public purse.

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