

## MEDIA STATEMENT

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### **SALGA urges municipalities with poor audits to adopt best practices, strengthen oversight, and ensure accountability to prevent recurrence**

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The South African Government Association (SALGA) welcomes the 2022/2023 Auditor General's Municipal Finance Management Act (MFMA) audit outcomes and congratulates municipalities who have sustained achieving unqualified audit opinions without material findings for a number of years and those who have worked hard to improve on their audit outcomes.

The Auditor General's MFMA consolidated general reports are based on audit work performed on municipalities and their entities in the previous year.

SALGA has observed that the MFMA 2022/2023 audit outcomes indicate a notable 45% reduction in the number of municipalities with disclaimed audit opinions. This is commendable and needs to be replicated to improve financial governance in all those municipalities still in the red zone. Municipalities such as Mopani, Madibeng, Kgathelopele, and Khetlengrivier have improved and moved out of disclaimed audit outcomes, for the first time, after several years of disclaimed audit opinions.

The results show that of the 257 municipalities, 144, representing 56%, have provided credible financial statements and obtained clean and unqualified audits in the MFMA 2022/2023 financial year. Overall consolidated audit outcomes, as compared to 2021/2022, have stagnated with four (4) municipalities dropping from unqualified without material findings to unqualified with material findings, which is concerning. More efforts must be made to assist municipalities in achieving unqualified audit outcomes. The national and provincial governments, through legislative and other measures, must support and strengthen the capacity of municipalities to manage their affairs, exercise their powers, and perform their functions.

Service delivery, financial sustainability, and compliance with legislative frameworks are fundamental for municipalities, as highlighted by the AG. Municipalities should strive to achieve a clean audit outcome driven by capable leadership (both administrative and political) and management that pursues sound financial management, institutionalizes compliance, implements internal controls, establishes processes, adheres to standard operating procedures, and fosters a culture of accountability and high performance.

Furthermore, SALGA appreciates the Auditor General South Africa (AGSA) report for highlighting areas that need special attention, including revenue losses, unspent grants, inadequate budget for repairs and maintenance, insufficient capacity and skills, and governance failures. Over the years, SALGA has made efforts to ensure that municipalities are assisted through lobbying and advocacy to secure an adequate funding framework. Additionally, SALGA emphasizes the national and provincial government's constitutional mandate to adequately support municipalities in addressing challenges and achieving their mandate of service delivery and development.

SALGA's multi-disciplinary programmes have been assisting municipalities with capacity building for councilors and officials (such as Integrated Councillor Induction Programme (ICIP), Municipal Public Accounts Committees (MPACs), and oversight training, professionalizing officials in key areas, project preparation, cost of supply and tariff setting training), financial sustainability programme support municipalities with technical audit support on preparation pre, during and post-audit, analysis key indicators and determination of key solutions, collection of revenue campaign through Asisho! Let's say it!, and collaborating with the National Treasury to implement a debt relief programme).

SALGA calls for municipalities to adopt best practices from best performers with clean audit outcomes, institutionalizing controls through digital innovations, and stringent performance management and also cascading it to all officials lower than Senior Management. Councils and the Department of Cooperative Governance (COGTA) to ensure the functionality of oversight structures and continuous capacity building of Councillors throughout their term of office.

The three spheres of government should develop fit-for-purpose programs, coordinate and align programmes (at National and Provincial levels) to municipalities to address, achieve significant improvements and impact, and extract accountability and consequence management. Customers of municipalities are part of the accountability ecosystem, they are also called to play a part by paying for outstanding debts, taking care of municipal assets, and effectively participating in legislative consultation processes to enhance the performance of municipalities.

**End**

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