



GAUTENG PROVINCE

PROVINCIAL TREASURY
REPUBLIC OF SOUTH AFRICA

**KEYNOTE ADDRESS BY HONOURABLE JACOB
MAMABOLO, GAUTENG MEC FOR FINANCE AT
CIGFARO PUBLIC SECTOR FINANCE SEMINAR, 04
JULY 2023**

Municipal Managers.

Chief Financial Officers.

Senior local government officials present here.

Ladies and Gentlemen.

Good morning,

On behalf of the Gauteng Provincial Government, I would like to express my gratitude to the Chartered Institute of Government Finance, Audit and Risk Officers for extending an invitation to us for the *CIGFARO Public Sector Finance Seminar*.

We wholeheartedly appreciate the opportunity to be a part of this gathering, which is dedicated to Annual Financial Statements and Audit Readiness for Local Government.

During the past 5 financial years, the municipalities in our province have displayed varied outcomes in their audits.

Sadly, our observations reveal a lack of consistency in terms of improvement. Instead, we have noticed a pattern of stagnation and even regression.

As Gauteng Province, it is crucial to us that we embody excellence and demonstrate continuous progression.

We are committed to addressing these challenges and working towards a future where our municipalities consistently display positive outcomes and excellence.

The local government sphere has a critical role to play in this regard.

One of the key ways we can make progress is by ensuring the production of high-quality annual financial statements that accurately reflect the service delivery activities carried out during the period.

The Office of the Auditor-General of South Africa has provided valuable insights in the overall message section

of their management reports that they continuously identify misstatements in the annual financial statements.

These misstatements include various areas, including property, plant, and equipment, depreciation, impairment loss, trade payables, cash flow statements, and comparisons between budget and actual figures, among others.

It is important to note that this list is not exhaustive and may encompass additional areas of concern.

Addressing these misstatements and ensuring their accurate representation in the financial statements is crucial for maintaining transparency and accountability in our local government.

The important thing is that AGSA is indicating that there is a commonality of audit findings in the province that have a significant impact on the outcome of the audit.

On this basis, we then need to question if existing structures and processes that are in place to improve results are indeed working?

I say, more work needs to be done.

In March 2023, Gauteng Treasury hosted a Clean Audit and Clean governance Seminar in Ubuntu Kraal in Soweto where MMCs of Finance and CFOs of Gauteng Municipalities signed pledges inculcate the culture of good governance and improved audit outcomes in local government.

Through the upcoming audit, it is important that we demonstrate our commitment to clean audit and good governance.

We need accounting officers that are committed to ethical governance.

Part of the provincial government responsibilities and priorities is our outcomes and alignment to the Growing Gauteng Together 2030, which include **sustainable local government finances**.

Most of our municipalities in Gauteng are in financial distress.

This is because of rising debt levels due to high levels of unemployment and increased demand for free basic services without commensurate increases in revenue.

We as Gauteng Provincial Treasury intensified our efforts to support municipalities to build capacity and capability to strengthen their financial management practices.

In this regard, **we have appointed 12 Technical Advisors** to enhance financial management capacity in local government.

The appointment of these advisors is part of provincial treasury's hands-on support program for municipalities; and it will go a long way towards addressing capacity, financial management, and reporting concerns in local government.

In getting ready for the audit process, **it is important that we look at the following and ensure that we are prepared:**

- **Compliance:** ensuring that municipalities are meeting regulatory and legal requirements.
- **Financial statement accuracy:** Ensuring that financial statements are accurate, reliable, and fairly presented. Inaccurate financial statements can lead to errors in decision-making and can damage the municipalities' reputation.
- **Fraud prevention:** Proper audit readiness can help identify and prevent fraud within municipalities. An

effective system of internal controls, strong processes and policies help mitigate risk for financial misstatements, including fraudulent activities.

- **Operational efficiency:** Proper operations can improve audit readiness by identifying and correcting problems before they become large and complex.
- **Stakeholder confidence:** Stakeholders rely on accurate financial statements and audit reports to make informed decisions.

An organization with a track record of reliable financial reporting can inspire confidence in the stakeholders.

We need to ensure that Month-End Closures are done properly.

At a minimum, it is imperative that the following tasks are executed with precision and attention to detail:

- Closing Checklist** to ensure to ensure all month-end processes are performed and all journal entries are posted. Without a checklist to follow, quarterly and annual entries can be forgotten.
- Documentation**, filing and organizing seem like a boring task, but it is one of the keys to a smooth audit.

This will be an advantage when the auditor begins to select samples and requests information.

- **Internal Controls**, we need to ensure strong internal controls are established, operating and effective.
- **New Accounting Standards**, we need to be aware of new accounting pronouncements and modifications to existing pronouncements that are continually being introduced. As GPT we have recently trained our municipal officials on new standards and problematic standards to ensure that we know what is expected for the audit purposes.
- **Unusual Transactions**; If there are questions about unusual transactions in the current year, reach out to the auditors early. This prevents further questions and issues when the audit begins.
- **Do proper Balance Sheet Reconciliations** including fixed asset summary, debtors, creditors and bank reconciliations.
- **Physical Inventory** is also important.

In conclusion, I extend my best wishes to all of you for the upcoming audit period.

Let us prioritize the delivery of valid, accurate, and complete annual financial statements to the Auditor-General.

I urge everyone involved in the production of these statements and the overall audit process to really put in effort that reflects quality.

Colleagues, I appreciate your time, and I want to assure you of our commitment to support you throughout this audit period.

Good luck to each one of you.

Let us remain fully committed to generating and submitting a credible set of annual financial statements to the Office of the Auditor General by the latest deadline of August 31, 2023.

Thank you.