



AUDITOR-GENERAL
SOUTH AFRICA

LOCAL GOVERNMENT AUDIT OUTCOMES

KWAZULU-NATAL

2022-23

Audit outcomes for financial year ended 30 June 2023
Status of material irregularities by 29 February 2024

**Improved sustainable audit outcomes and service delivery
requires an effective internal control environment and
consequence management**

08 March 2024



MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

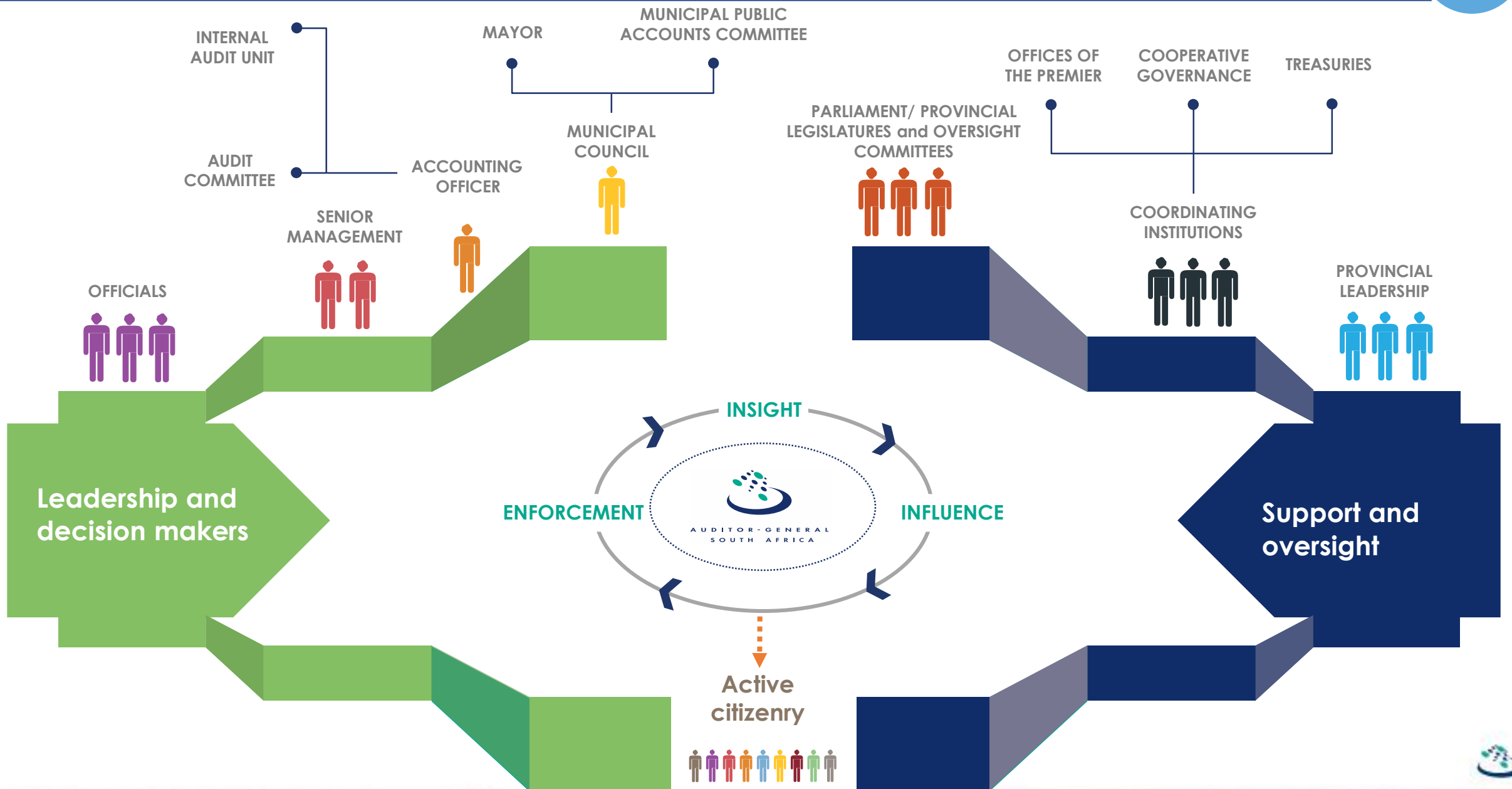


VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



All have a role to play in accountability ecosystem



In 2021-22, we recommended the following:

- **Political and administrative leadership must enforce a culture of accountability, implement effective consequences for transgressions** and strengthen governance structures.
- **Effective use of consultants to stabilise and capacitate the administration** and continually recruit, retain and develop appropriately skilled and experienced officials.
- A robust **financial management culture** which includes ensuring all revenue due is collected, prudent spending, and prevention and speedy recovery of financial loss and wastage will contribute to **improved service delivery**.
- **Robust reviews and continuous in year monitoring** of preventative controls over financial and performance reports and compliance with legislation.



Improved sustainable audit outcomes and service delivery requires an effective internal control environment and consequence management

The municipalities are taking steps to investigate irregular expenditure as R8,26 billion (2021-22: R2,64 billion) has been written off after council investigations. However, the overall non-compliance with legislation still prevails.

Although amounts spent on consultants decreased, there is still ineffective use of consultants as some municipalities had material misstatements in the areas of consultants' work. Additionally, we identified an MI on the uneconomical use of consultants at one municipality.

The financial health of municipalities is still concerning. The average debt and credit collection remains poor and municipalities continued to experience challenges related to cash-flow management and inadequate budget management.

Although one municipality advanced to a clean audit and record keeping, implementation of daily and monthly controls over financial and performance reporting and compliance with legislation at municipalities have slightly improved, the control environment is still not at the desired level as in-year reporting and compliance with legislation have not improved.

 Implemented

 In progress

 Not implemented



Where we are in 2022-23:

Quality of financial statements	Performance reporting	Compliance	Financial health
<p>Quality of published AFS slightly improved:</p> <ul style="list-style-type: none"> The quality of published annual financial statements (AFS) has shown improvement, but only after material adjustments on the submitted financial statements. Municipalities continue to depend on the audit process to detect and rectify misstatements. 	<p>Quality of performance report improved</p> <ul style="list-style-type: none"> Enhancement of preventative controls has led to an improvement in the quality of reported performance information. However, the majority of auditees still rely on the audit process to identify and correct misstatements in the annual performance report. 	<p>Material instances of non-compliance</p> <ul style="list-style-type: none"> There is no improvement of overall compliance with legislation as the majority of the auditees had findings on procurement and contract management, consequence management, and failure to prevent UIFW. 	<p>Financial health remains a concern, affected by:</p> <ul style="list-style-type: none"> Unfunded budgets. High debt impairments and tough economic conditions affecting consumers' ability to pay. High water and electricity losses, and reported deficits where expenditure is exceeding revenue.

Provincial leadership tone	Unauthorised, irregular, fruitless & wasteful expenditure	HR management	IT environment
<ul style="list-style-type: none"> The actions/initiatives by TROIKA are moving in the right direction. Support was provided to distressed and dysfunctional municipalities through one-on-one engagements with the municipalities put under administration in terms of S139 intervention as part of Municipal Support and Intervention Plans (MSIP). The support provided resulted in slightly improved audit outcomes for previously unqualified to clean and qualified to unqualified with findings municipalities. uMkhanyakude District improved to a qualified audit opinion, from a disclaimer audit opinion. 	<ul style="list-style-type: none"> UIFW increased from previous year, and the balance remains high. IE slightly decreased to R6,29 billion (2021-22: R5,93 billion). Closing balance of irregular expenditure still high at R15,21 billion (2021-22: R17,26 billion) but municipalities are taking steps to investigate the outstanding balances as R8,26 billion (2021-22: R2,64 billion) was written off after a council investigation. 	<ul style="list-style-type: none"> Finance departments vacancy rate averages 15%. Acceptable skills were noted at more than 50% of auditees. Municipalities continue to utilise consultants for financial reporting primarily due to a lack of skills in this area. 	<ul style="list-style-type: none"> Overall IT controls remains concerning. IT systems implemented by municipalities were not being fully utilised and often not fit for purpose due to a lack of IT technical knowledge and skills within municipalities. Inadequate direction and oversight for cybersecurity risk management was still an issue due to the lack of vulnerability assessment tools and formal compliance testing not being performed on critical servers.



Overall audit outcomes show gradual upward trend

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2020-21	3	36	13	-	3	-	55
Last year of previous administration							
2021-22	4	39	11	1	1	-	56
2022-23	4	41	10	1	-	-	
	7%	73%	18%	2%	-%	-	56
2022-23	9%	78%	12%	1%	-%	-	

Movement from previous year



Movement from last year of previous administration



Non-submission of financial statements – **None**

Late submission of financial statements – **None**

Delays during audit process – **None**

Submission of financial statements by legislated date improved from 98% to **100%**

Expenditure budget
R100 billion

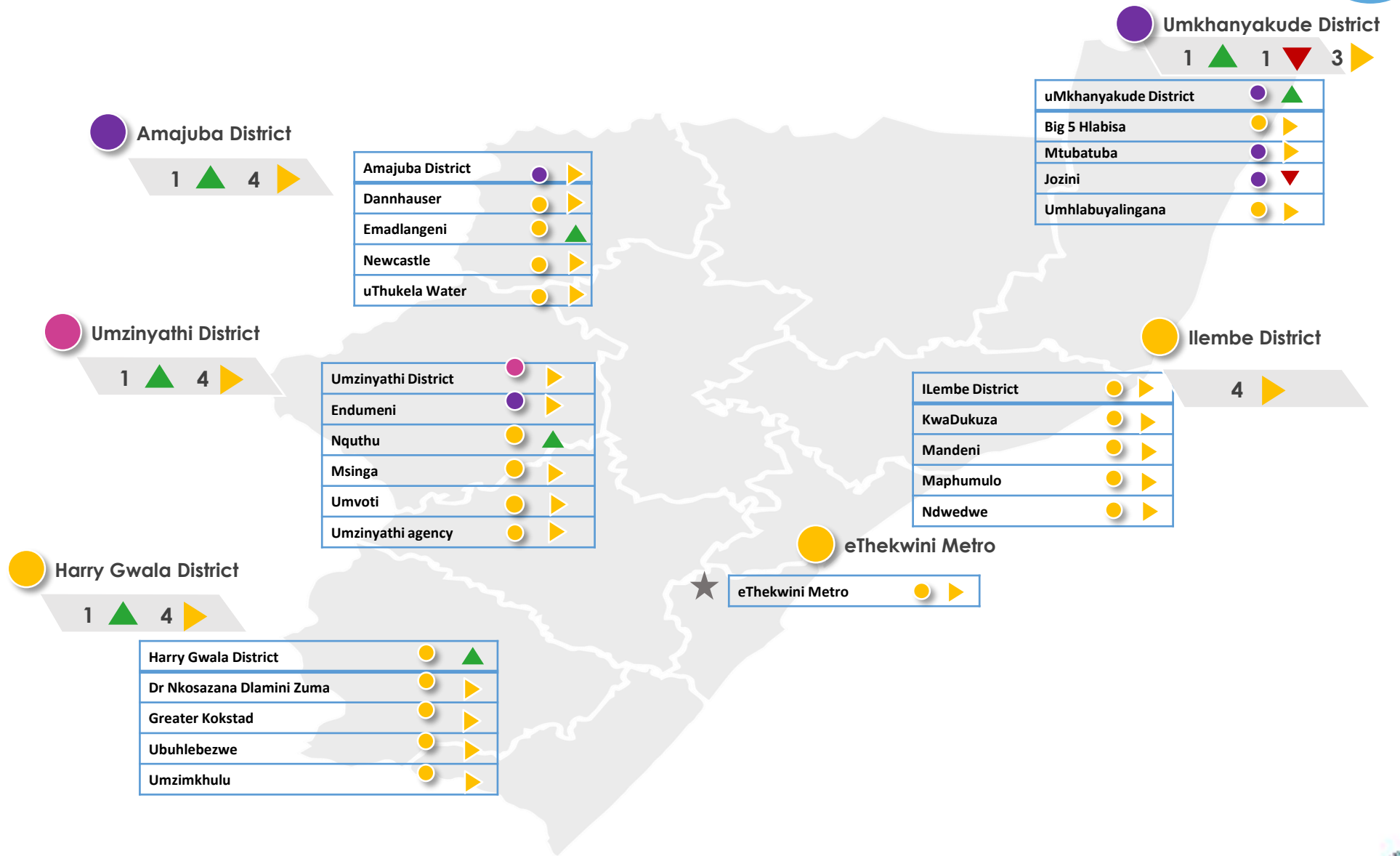
- Overall improvement in audit outcomes, notable improvements of Umkhanyakude District and Inkosi Langalibalele from a disclaimer of opinion to a qualified audit over the administration term, while Nquthu improved from a disclaimer to an unqualified with findings audit opinion
- Umlalazi improved to a clean audit and Harry Gwala District from a qualified to unqualified with findings. Notable regression in Ray Nkonyeni from a clean audit to a unqualified with findings audit opinion
- Preventative controls to be strengthened and implementation of consequence management to be fast-tracked to set the tone of zero-tolerance, hold officials accountable, prevent financial losses and improve governance and service delivery.



Improvement in audit outcomes from previous year

- ▲ Improved
- ▼ Regressed
- ▶ Stagnant

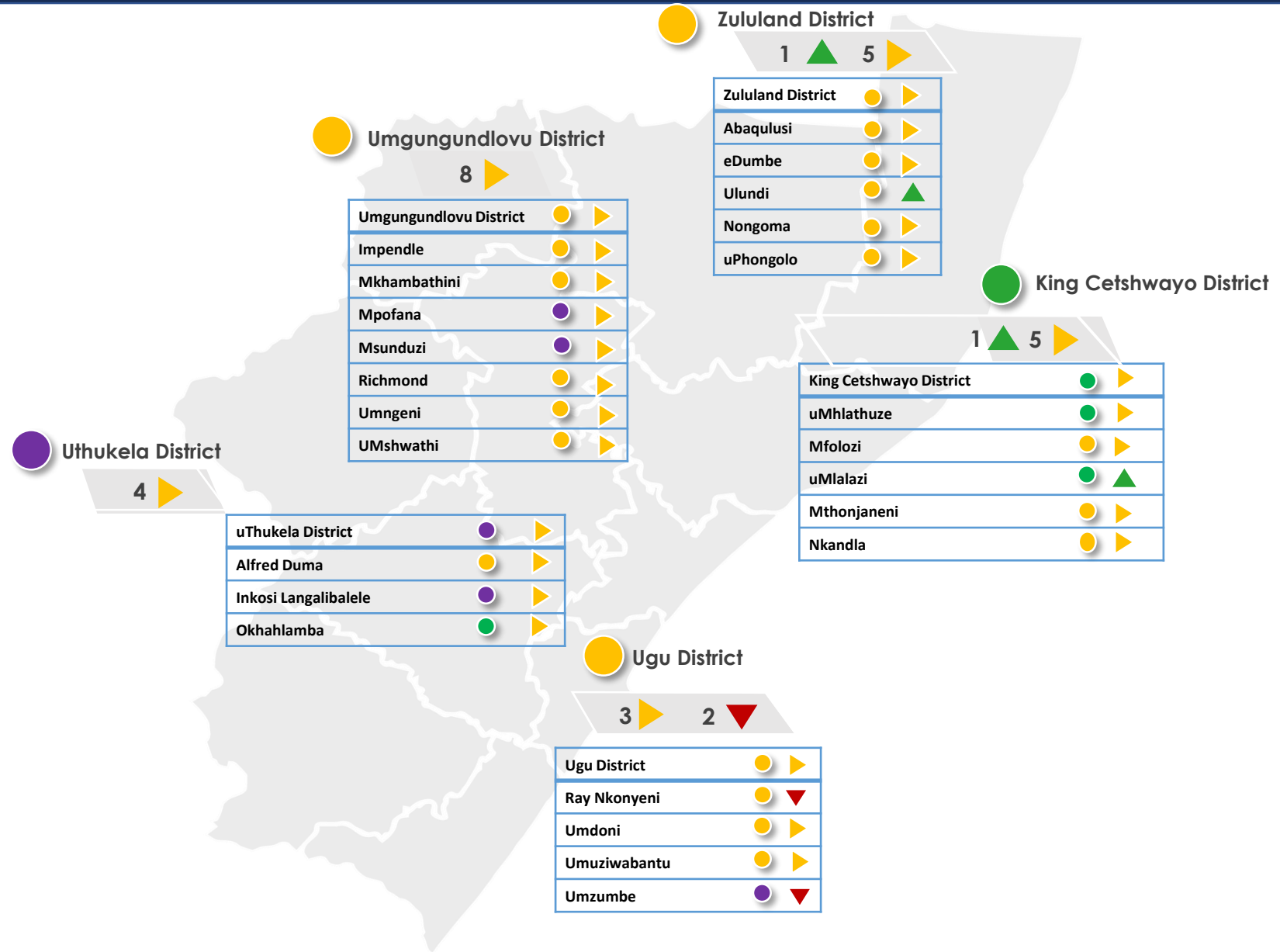
- Unqualified with no findings (clean)
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Outstanding audits



Improvement in audit outcomes from previous year

- ▲ Improved
- ▼ Regressed
- ▶ Stagnant

- Unqualified with no findings (clean)
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Outstanding audits



Investment in and contributions to financial reporting

Finance capacity, skills and governance

Finance unit:

- Salary cost = R2 billion (2022: R1,93 billion)
- Average vacancy rate = 15% (2022:15%)
- Adequate skills = 35 auditees (65%) (2022: 38 auditees (70%))
- CFO average months in position = 37 (2022: 44)

Review of financial statements:

- Internal audit units = 52 municipalities (96%) (2022: 52 municipalities (96%))
- Audit committees = 53 municipalities (98%) (2022: 51 municipalities (94%))



Financial reporting consultants

Total cost = R212 million (2022: R309 million)

Top 3 municipalities with highest consultant costs:

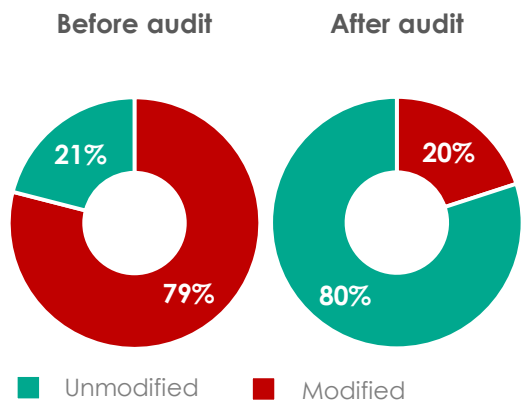
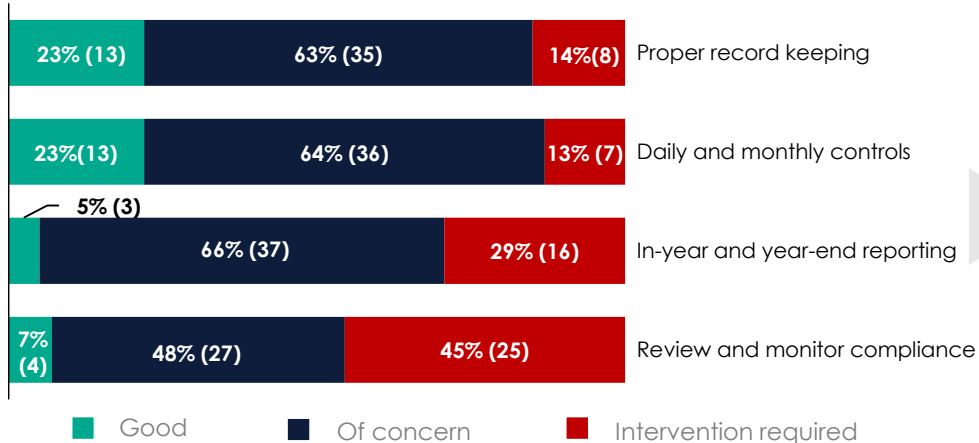
- Inkosi Langalibalele = R14,9m
- Amajuba District = R14,6m
- Zululand District = R13,8m



National and provincial interventions

- Audit readiness and pre-audit assessments before submission of financial statements at some municipalities.
- Deployment of financial experts and technical specialists to assist some municipalities.
- Review of draft financial statements at some municipalities and capacity building as well as training initiatives
- Assisting some municipalities in responding to audit findings.
- Support to dysfunctional municipalities.

But financial management controls remain weak Resulting in poor quality of financial statements submitted for auditing



Impact

- Lack of financial management disciplines and continued reliance on the audit process
- Although finance units are capacitated with experienced officials, the use of consultants is still widespread and material misstatements in financial statements still persist.
- Provincial Treasury and COGTA support had some impact although this can be strengthened to achieve sustainable improvements.



WHAT WE FOUND

- **R212 million (2022: R309 million)** – total cost of financial reporting consultants.
- **47 (87%) (2022: 48 (91%))** municipalities used financial reporting consultants.

Top 3 nature of consultant work

- Tax service – R89 million (2022: R106 million)
- Asset management – R60 million (2022: R94 million)
- Preparation or review of AFS – R45 million (2022: R49 million)

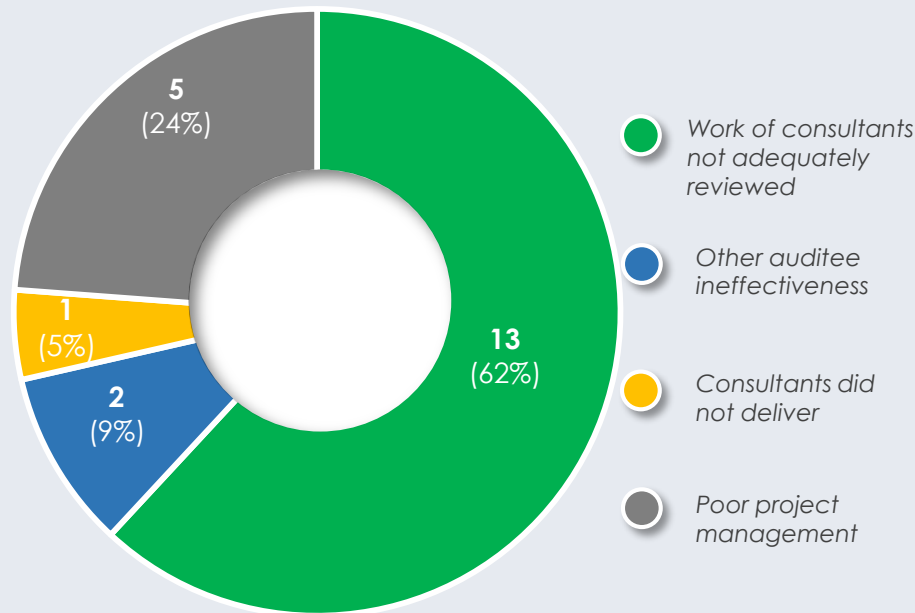
Reasons for appointing consultants

- Lack of skills – 29 (62%) (2022: 35 (73%)) municipalities
- Vacancies – 4 (9%) (2022: 4 (8%)) municipalities
- Combination lack of skills and vacancies – 14 (30%) (2022: 9 (19%)) municipalities
- Recurring appointment at 34(72%) (2022: 40 (83%)) municipalities

Additional insights

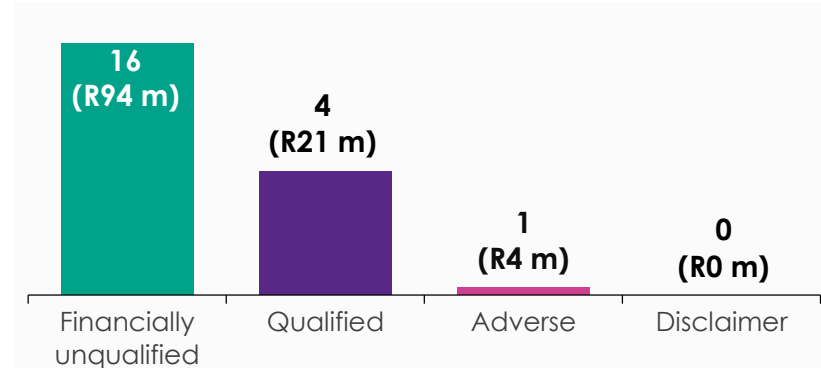
- Consultants appointed even though the skills were available within the entity and no consultancy reduction plan in place **(13 (2022: 11) municipalities)**
- Inadequate measures implemented to monitor performance **(8 (2022: 3) municipalities)**
- No evidence that skills transfer or training programmes took place **(11 (2022: 9) municipalities)**
- Consultants appointed without needs assessment (gap analysis) and no or inadequate terms of reference **(11 (2022: 4) municipalities)**

Reasons consultants were ineffective



21 (45%) (2022: 25 (52%)) of financial statements submitted for auditing included material misstatements in areas of consultant work.

Outcomes: financial statements after correction



Municipalities cannot continue to operate and provide services if financial health concerns remain

Revenue

- National government **financed municipalities** through equitable share of **R16,79 billion (2022:R15,31 billion)** and conditional grants of **R11,19 billion (2022:R9,4 billion)**.
- **Total own revenue** (excluding equitable share and conditional grants) was **R65,78 billion (2022:R65,1 billion)** but not all is recoverable.
- **67% (2022: 66%) of municipal debt is not recoverable**; at 16 (2022: 16) municipalities more than **80%** cannot be recovered – debt-collection period at 22 (2022: 38) municipalities was more than 90 days.
- **Average debt-collection period = 119 days.**
- **Eskom arrears = R1,1 billion (2022: R820 million).**
- **Water board arrears = R1,5 billion (2022:R1,1 billion).**

Expenditure

- Salary and wages (including councillor remuneration) = **R24,1 billion (2022: R22,66 billion)**; represents **29% (2022:28%) of own estimated recoverable revenue** and **equitable share** allocation.
- **R325,58 million (2022: R124,45 million)** of expenditure was **fruitless and wasteful** (47 municipalities)
- **Average creditor-payment period = 122 days (2022: 102 days).**
- **Water losses = R4,1 billion (2022: R3,5 billion)** with and average of **47,62% (2022: 44,93%)**.
- **Most municipalities are managing their indigents well** but some **municipalities are still struggling** with verifying the validity of indigents.

Impact

- **26% (2022: 27%) of municipalities ended the year in deficit** (expenditure more than revenue).
- **Next year's budget will pay for expenditure of previous year(s) – at 26% (2022:16%) municipalities it will be more than half of their budgets** (unfunded budgets).
- **40 (74%) (2022: 36 (67%)) municipalities incurred unauthorised expenditure** totalling R3,08 billion (2022 R2,47 billion); **R1,01 billion (35%) (2022: R1,5 billion (61%))** was non-cash items (includes outstanding audit).
- **Insufficient funds** affect project completion and **service delivery**.
- Limited funds are not spent wisely **and within budget**.
- **11 (20%) (2022: 9 (17%)) municipalities disclosed significant doubt in financial statements about ability to continue operating as a going concern** in foreseeable future.

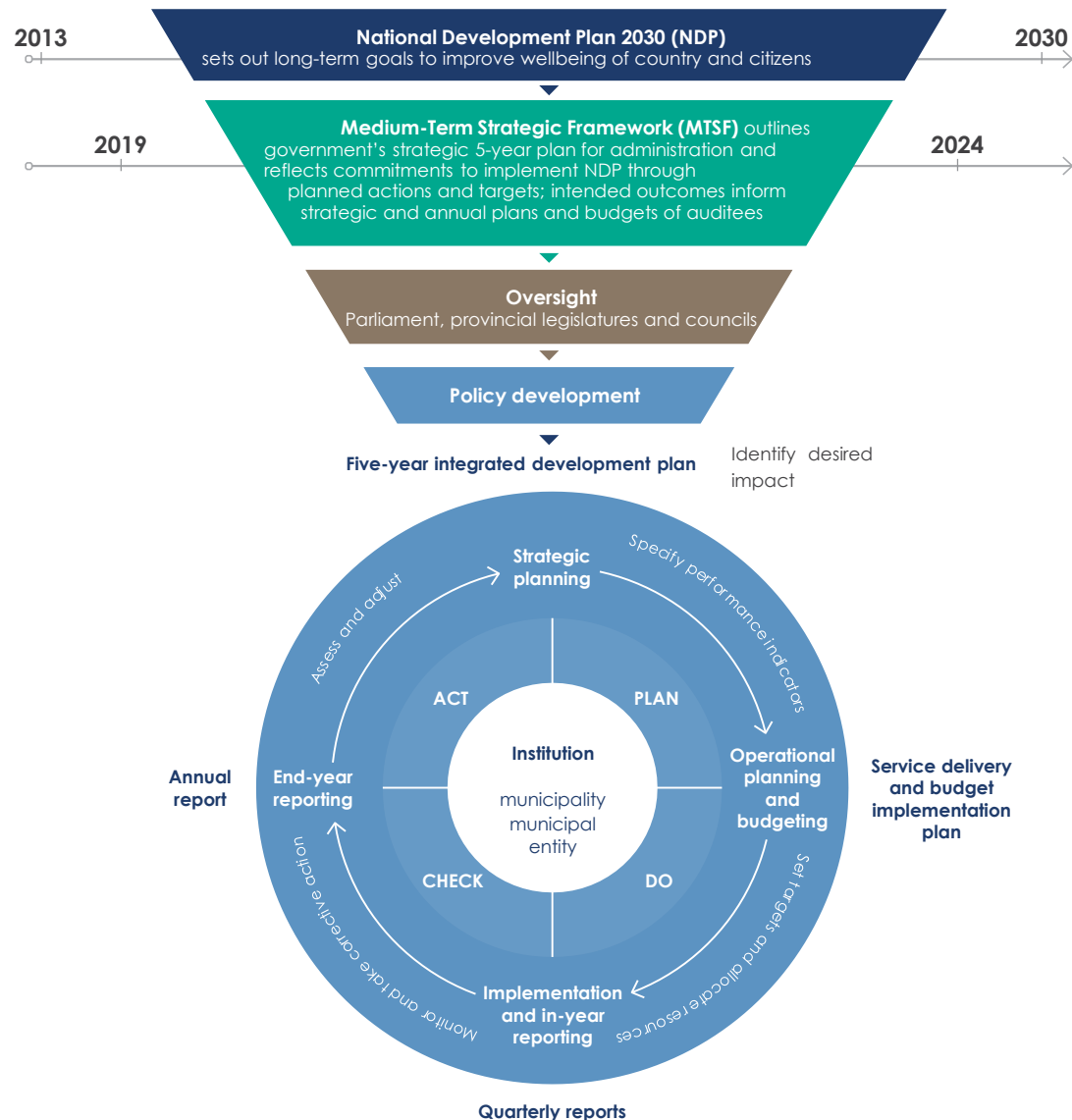
There is doubt whether these municipalities can continue as a going concern

KZN
11 (20%)

- | | | |
|--------------------------------|---------------------------------|--------------------------|
| • Mpopana (>5 years) | • Msunduzi (5 years) | • Impendle (2 year) |
| • Ugu District (>5 years) | • Newcastle (5 years) | • eMadlangeni (1 year) ← |
| • uThukela District (>5 years) | • uMzinyathi District (2 years) | • Endumeni (1 year) |
| | • Nkandla (2 years) | • Umgeni (1 year) |



Planning, budgeting, monitoring and reporting cycle of government



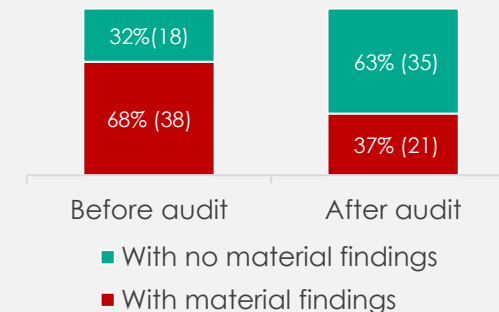
Findings: Planning for service delivery

- Indicators/measures were not well-defined and not verifiable.
- Performance targets were not specific and were not measurable.
- Relevant key performance indicators for all core functions prioritised in year were not included in planning documents.
- Relevant indicators relating to prioritised core functions were not included in planning documents specifically at King Cetshwayo District.
- Relevant standardised/circular 88 indicators not included in the planning documents at eThekweni Metro.

Findings: Reporting

- Thirteen (23%) auditees had material findings on reliability where reported achievements were not valid, accurate and complete.

Quality of performance reports before and after audit



Insight, root cause and impact

- Unreliable reporting is a result of poor internal controls practices which includes no reconciliations performed on reported achievements to underlying source data, poor planning over the collection, collation and verification of data as well as lack of oversight in the performance reporting process.
- At some auditees that attained favorable audit outcomes, key performance indicators were not prioritised for the year. Consequently, this could have an impact on the lives of citizens as key service delivery initiatives could not be meaningfully measured.



WHAT WE FOUND

Project deficiencies left unattended

- Inadequate needs assessment and project planning.
- Contractors appointed that cannot perform the work.
- Ineffective monitoring of project milestones and quality of work performed.
- Failure in intergovernmental coordination and collaboration.
- Underperformance by consultants/contractors without consequences.
- Contractors not paid on time or overpaid.

Resulting in

- Delayed completion of projects.
- Increased project cost and financial losses.
- Quality defects.
- Completed infrastructure not commissioned or not utilised.
- Damage as result of vandalism.
- Possible harm to public.



Electricity: Austerville substation: Progress stagnant at 63% since Jan 2023 as contractor terminated contract due to municipality issues with delays



Housing: Namibia Stop 8: Poor workmanship led to homes intended for beneficiaries with disabilities failing to meet specific standards and posing safety concerns



Roads: Khethani surfaced road: Sewage overflowed from manhole onto recently completed road



IMPACT

- Time delays impacting timely service delivery - resources and municipal services not synchronised to ensure delivery;
- Quality compromised contributing to substandard facilities / infrastructure / services to the citizens;
- Cost overruns due to vandalism, theft, delays, substandard quality;
- Higher cost of services due to the poor quality and unmaintained infrastructure resulting in economical hardship to citizens and lack of the ability to save;
- Poor infrastructure being handed down to future generations resulting in possible future hardships;
- Breakdown in the service value chain to citizens due to poor quality, poor timeous delivery, lack of maintenance of infrastructure in the value chain;
- Poor infrastructure contributing to a breakdown in the economic, systems that are critical for driving economic growth and prosperity for society.



LESSONS LEARNT

- There needs to be a sustained and deliberate intent from leadership to ensure the prescripts for disaster management are acted upon across all organs of state including those co-ordinating institutions such as the Provincial Disaster Management Center (PDMC) and Municipal Disaster Management Center (MDMC). As a starting point, disaster management plans should be in place, which creates an enabling environment for emergency preparedness, a rapid and effective response to disasters and post-disaster recovery and rehabilitation.
- Pro-active planning to provide for basic human rights of citizens, such as shelter, food, water and sanitation needs in the event of a disaster.
- Organs of state should budget for disaster recovery and rehabilitation through threshold funding.
- Procurement processes need to be assessed to allow for emergency procurement to be expedited in the event of a disaster. Auditees were found to have overburdened supply chain management processes, which delayed procurement and consequently infrastructure repairs.
- Greater emphasis placed on maintenance to ensure resilience of infrastructure. Organs of state are encouraged to budget at minimum 8% of the infrastructure value for maintenance.

Abnormal weather events are on the rise due to climate change. Most recent – Flooding and damage to infrastructure in December 2023/January 2024 - Uthukela, iLembe, Ugu, Umzinyathi, and eThekweni metro.



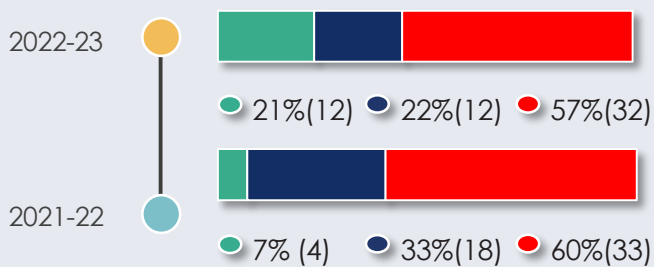
WHAT WE FOUND

Overall compliance findings



Movement from previous year
▶

Status of compliance with SCM legislation



● With no findings
● With findings
● With material findings

Movement from previous year
8 ▲

2022-23 key findings

Prohibited awards to employees and councillors	R16,48 million
Prohibited awards to other state officials	R136,54 million
Limitations on audit of awards selected for testing	R39,96 million
Irregular expenditure related to SCM	R5,92 billion
Unfair/uncompetitive bidding processes	38 auditees(70%)

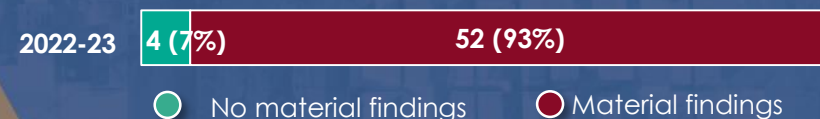
Payment for goods and services not received or of poor quality

- Overpayment of suppliers
- Payments to incorrect suppliers or beneficiaries
- Contractor payments for incomplete / non-existent construction
- Extension of construction contracts, resulting in higher costs
- Payments for services not rendered



WHAT WE FOUND

Overall compliance findings



Movement from previous year



2022-23 most common findings at municipalities

Material misstatements on submitted financial statements	42 municipalities (78%)
Unauthorised, irregular, fruitless and wasteful expenditure not prevented	37 municipalities (69%)
Procurement and contract management	28 municipalities (52%)
Consequence management	15 municipalities (28%)
Expenditure management	25 municipalities (46%)
Strategic planning and performance management	11 municipalities (20%)



Irregular expenditure

Irregular expenditure incurred

R6,29 billion (52 auditees incurred)

(2021-22: R5,93 billion (53 auditees incurred))

Closing balance

R15,21 billion

(2021-22: R17,26 billion)

Incomplete/Inaccurate reporting on irregular expenditure

Qualification = 6 auditees (11%)

Limitations in auditing procurement = R39,96 million

Impact of irregular expenditure incurred

Breach of **5 procurement pillars** at **51 municipalities**
R5,91 billion

Other **non-compliance** (e.g. payment not properly approved) at 3 municipalities

R363,71 million

Limitation of scope at 2 municipalities
R16,77 million



Top contributors

1. eThekweni Metro – R2,41 billion (21-22: R1,50 billion)
2. Ray Nkonyeni – R387 million (21-22: R4,39 million)
3. Uthukela District – R383 million (21-22: R307 million)

Negative impact on government socio-economic objectives of empowering previously disadvantaged individuals and small businesses e.g.

- local content regulations and B-BBEE not adhered to
- preference point not applied

Consequence management –

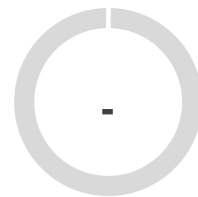
dealing with irregular expenditure

2022-23 R8,26 bn

2021-22 R2,64 bn

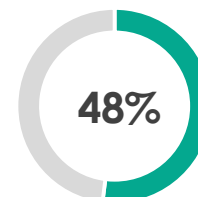
Closing balance of irregular expenditure **still high** but municipalities are taking steps to investigate the outstanding balances as R8,26 billion was written off after a council investigation

How has leadership dealt with 2021-22 irregular expenditure



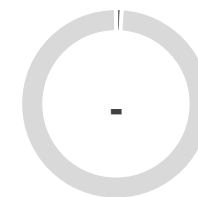
R0

Money recovered or in process of recovery



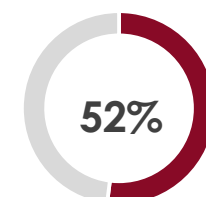
48%

R8,26 bn
Written off



R0

Condoned



52%

R9 bn
Not dealt with



We have long reported on **pervasive mismanagement / leakage of public funds without consequences** and our **audit recommendations not receiving the required attention**, with little or no improvement noted in the status quo, leading to our relevance being questioned

Public outcry for increased **accountability and transparency**, saw calls from parliamentary oversight structures, civil society, organised labour, media and the public at large for the **AG to be empowered to hold accounting officers** entrusted with public funds **accountable for their actions**

Original expanded mandate now finding its basis in our strategy

Enforcement

Apply powers to directly and indirectly recover resources lost to the state and taxpayers, and ensure application of consequences for wrongdoing – **#cultureshift2030**

Material irregularity



means any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the **misuse or loss of a material public resource**, or **substantial harm to a public sector institution or the general public**.

If AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:

- 1 **Refer material irregularities** to relevant public bodies for further investigation
- 2 **Recommend actions** in audit report to resolve the material irregularities
- 3 **Take binding remedial action** for failure to implement recommendations
- 3 **Issue certificate of debt** for failure to implement remedial action if financial loss was involved

Overall aim of our expanded mandate:

Instil a culture of accountability

Improve the protection of resources

Enhance public sector performance and encourage an ethical culture

Strengthen public sector institutions to better serve the people of South Africa



Material irregularities identified could have been prevented by basic disciplines and processes

Through the material irregularity process we highlight these internal control weaknesses and track improvements to prevent recurrence



From **INACTION** to **ACTION**

60 material irregularities on non-compliance and suspected fraud resulting in:

- 56** material **financial loss** (estimated R1,2 billion)
- 2** substantial **harm to general public**
- 2** substantial **harm to public sector institution**

No actions were taken to address **98%** of these matters until we issued notifications



ACTIONS TAKEN BY **AUDITEES**

R3,55 m

Financial loss **recovered**

R6,83 m

Prevented financial loss from taking place

R969,7 m

Financial loss **in process of recovery**

42

Internal controls improved to prevent recurrence

28

Responsible officials identified and **disciplinary process** completed or in process

1

Fraud/criminal investigations instituted



MI is resolved only when all possible steps have been taken to:

- Recover financial losses or remove/address harm caused
- Effect consequences – for officials and third parties involved
- Prevent any further losses and harm – also through improved internal controls

Status of 60 material irregularities:



29 Resolved MI



18 Appropriate action taken to resolve MI



3 Appropriate action not taken – decision on invoking our powers in process

3 Recommendations included in audit report

3 Remedial action

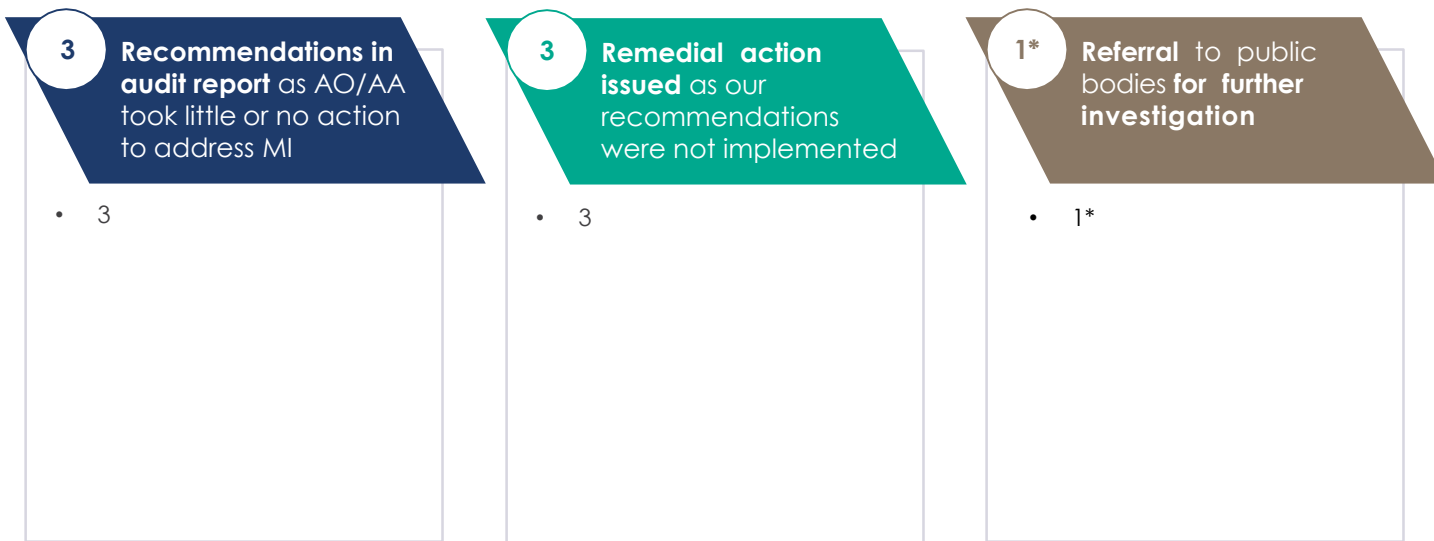


2 Response received on notification – in process of assessing action

2 Recently notified

Resolution of MI is often delayed by:

- Completing investigations to identify responsible officials
- Disciplinary processes for responsible officials
- Instability at the accounting officer level
- Delays in recoveries of losses



Our recommendations and remedial actions deal with **prevention, recovery** and **consequences**

4 additional MI were identified and notified, on two matters we are assessing AO responses and on the remaining two matters, AO responses are not yet due.



Material irregularities identified in areas we have been reporting on – it should have been prevented

PROCUREMENT AND PAYMENT	RESOURCE MANAGEMENT	REVENUE MANAGEMENT	INTEREST AND PENALTIES	FRAUD AND COMPLIANCE	HARM TO GENERAL PUBLIC	HARM TO PUBLIC SECTOR INSTITUTION
<p>3</p> <p>Non-compliance in procurement processes resulting in overpricing of goods and services procured or appointed supplier not delivering</p>	<p>8</p> <p>Assets not safeguarded resulting in loss</p>	<p>7</p> <p>Revenue not billed</p>	<p>12</p> <p>Eskom, water boards, lenders and suppliers not paid on time resulting in interest</p>	<p>1</p> <p>Suspected fraud resulting in loss</p>	<p>1</p> <p>Non-compliance with environmental legislation resulting in pollution of water resources</p>	<p>1</p> <p>Full and proper records not kept as evidenced by repeat disclaimed opinions – resulting in substantial harm to municipalities</p>
<p>15</p> <p>Payment for goods or services not received / of poor quality/ not in line with contract or to ineligible beneficiaries</p>	<p>5</p> <p>Inefficient use of resources – no/limited benefit derived for money spent</p>	<p>2</p> <p>Debt not recovered</p>	<p>2</p> <p>Payroll and value-added tax returns not paid on time or incorrectly calculated resulting in South African Revenue Service interest and penalties</p>	<p>1</p> <p>Non-compliance resulting in penalties</p>	<p>1</p> <p>Landfill site mismanagement resulting in harm to public</p>	<p>1</p> <p>Non-submission of financial statement</p>



WHAT WE FOUND

Accountability for effective IT governance resides with accounting officers of municipalities and accounting authorities of municipal entities, who, over several years, have not discharged this responsibility

Local government's weak IT control environment can largely be attributed to poor IT governance practices

Overall IT Audit Outcomes

IT audit outcomes continue to be **concerning**:

2020-21	0	11	6	17
2021-22	0	13	4	17
2022-23	1	8	4	13
	7%	61%	30%<	



Root causes

- Reprioritization of budgets led to **delays in IT projects** aimed at addressing legacy systems.
- **Inadequate IT technical knowledge and skills** resulted in **reliance on service providers** with no stringent monitoring processes.
- **Lack of consequence management** where repeat findings persist.

Impact

- **Not leveraging off technology** to drive efficiencies and improve citizens' experiences when interacting with municipalities.
- Prolonged project delays may **prevent municipalities from fully realizing the expected benefits and returns on IT investments**.
- A weak IT environment introduces the risk of **cybersecurity attacks and possible IT breaches**.

Cybersecurity - Metro

Inadequate direction and oversight for cybersecurity risk management:

- Lack of vulnerability assessment tool and formal compliance testing being performed on all critical servers.
- Several operating system and database versions were outdated or not supported.
- Inadequate security configuration settings were found on the database environments, which could lead to these databases being compromised.

IT Projects, IT Contract and Software Licenses

- Two (2) IT projects at eThekweni Municipality had **timelines not met** due to vacancies in the recently established ICT project management office.
- **Lack of defined procedures for monitoring** the performance of the Munsoft service provider at uThukela Municipality resulted in this activity being inadequately performed.
- **No software licences fees were paid** for software not utilised.

Automated controls

- Deficiencies noted with the system controls relating to **revenue receivables and receipts** as well as **cash and cash equivalents** at Msunduzi Municipality.
- eThekweni Municipality's **lack of required automated controls** resulted in electricity customer complaint calls having a closed date prior to the creation date and customer accounts estimated for prolonged periods not being flagged.

mSCOA - Metro

eThekweni Municipality systems **not yet fully integrating planning, budgeting, transacting, and reporting requirements**.

Likely Impact

National Treasury **withholding the metro's equitable share** which will hinder service delivery.

Call to Action

1

Accounting officers and senior management should embed the culture of improvement and sustainability of IT controls, and **identify opportunities for digitization and automation of business processes**.

2

Strengthen IT governance practices to enable adequate and effective management of **overall IT controls and investments**.

3

Prioritize legacy system replacement and centralize IT systems and process management.

4

Ensure **accountability and strong consequence management**.



Public participation

- A municipal wide structure or forum that enhances community participation was established. Ward committee meetings are held to discuss the IDP and SDBIP on a yearly basis.
- The public was invited to provide comments and inputs received from the public participation sessions were incorporated in the ward committee plans and were considered in the IDP/ SDBIP development process.
- Various platforms such as local TV, radios, municipal website, local newspapers and social media were used to facilitate effective public participation.

Budget process

- The municipalities factors the inputs from the communities in the budgeting processes. This allowed the municipality to allocate available resources to the most important needs of the community.
- Administrative leadership together with performance management heads, convened strategic workshops in order to determine the IDP priorities which formed the basis for the preparation of the MTREF budget taking into account the financial and political pressures facing the municipalities.
- The municipalities had policies in place for revenue management or debt collection, however some difficulties are experienced in revenue collection. Proper implementation and monitoring of these policies may improve the situation.

The Completeness of planned performance information

- Findings were raised in relation to the completeness of planned performance information relevant to the mandate. Below are the examples:
- Relevant indicators relating to prioritised core functions were not included in planning documents for one municipality.
- Certain key indicators are managed through the organisational scorecard and not through the public approved SDBIP at top layer level.
- Key performance indicators relating to roads specifically to rehabilitation of roads-potholes and maintenance of existing roads and housing were not included in the SDBIP.

Complaints management

- The municipalities had complaints register or system in place and complaints were escalated to the relevant department internally or externally and addressed accordingly.
- Awareness campaigns were conducted on how the citizens can report the fault, it is done every quarter. Complaints were reported every week during management committee meetings.



CALL TO ACTION

Improved sustainable audit outcomes and service delivery require an effective internal control environment and consequence management

1 Failing to prioritise key service delivery and allocating funds to initiatives with less impact on the lived realities of the citizens constitutes a misuse of resources.

2 The accounting officers must foster an effective financial and performance management culture that encompasses the collection of all due revenue, prudent spending, and the prevention and swift recovery of financial losses and wastage to improve service delivery.

3 There needs to be a sustained and deliberate intent from executive leadership to ensure the prescripts for disaster management are acted upon across all organs of state including those co-ordinating institutions, as well as the Provincial Disaster Management Center (PDMC) and Municipal Disaster Management Center (MDMC).

4 Political and administrative leadership must instill a culture of accountability, actively monitor performance to ensure that service delivery targets are met, implement effective consequences for transgressions and strengthen governance structures.



RESOURCES



What will be available on our website

A report on the material irregularities identified at municipalities and municipal entities and their status

Annexures to the general report, including:

- Auditees' audit outcomes; areas qualified; and findings on predetermined objectives, non-compliance, specific risk areas and unauthorised, irregular as well as fruitless and wasteful expenditure
- Auditees' financial health indicators, supply chain management findings and root causes
- Auditees' audit opinions over five years
- Assessment of auditees' key controls at the time of the audit
- Consultant costs



Preventative control guidelines available on our website

1. Importance of preventative controls
2. Tone and control culture
3. Institutionalised internal controls
4. Procurement of goods and services
5. Preparation of financial statements
6. Asset management
7. Infrastructure delivery process

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