



AUDITOR - GENERAL
SOUTH AFRICA

LOCAL GOVERNMENT AUDIT OUTCOMES: Mpumalanga

2023-24 MFMA

CIGFARO 2025 : Rebuilding Trust through data

22 April 2025



SAi20 SOUTH
AFRICA
2025

Mission and vision

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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

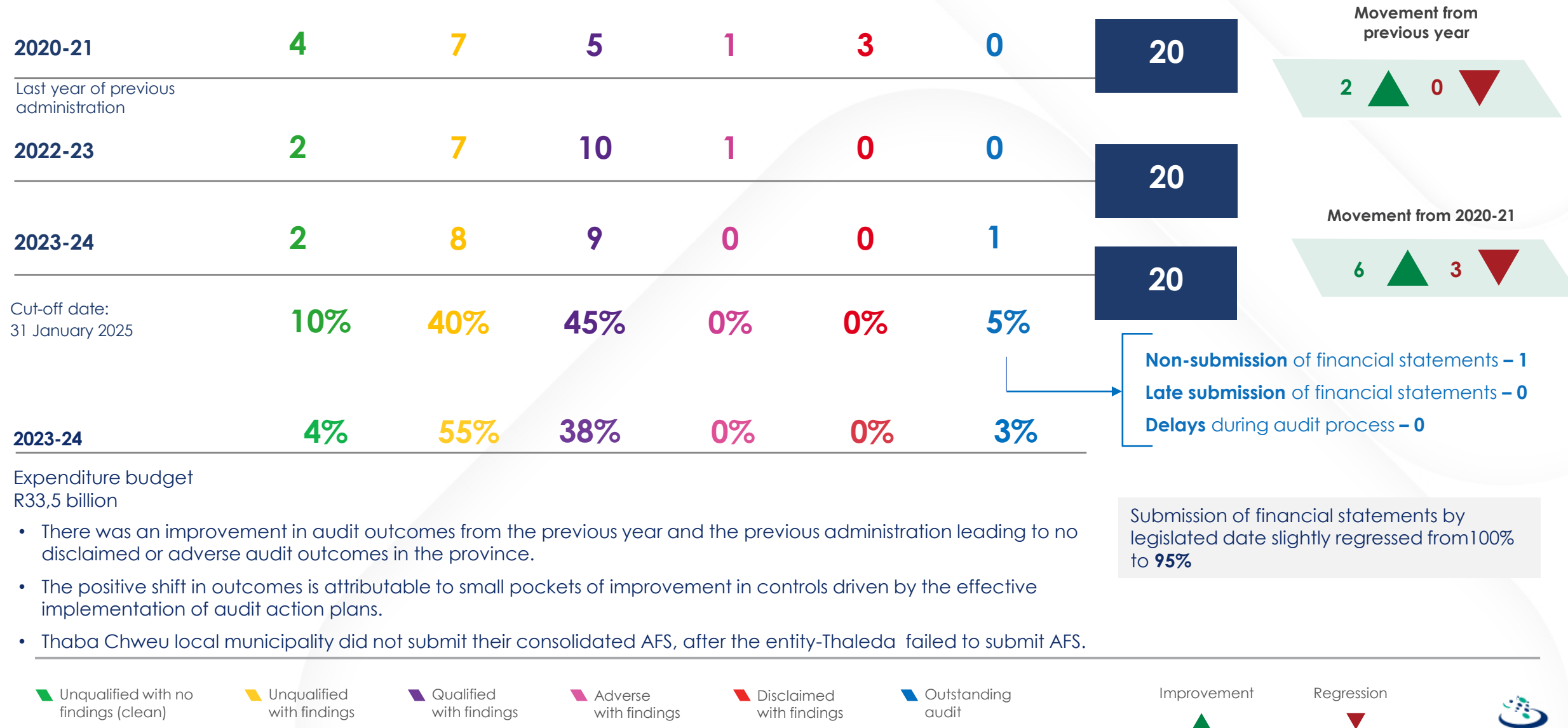


VISION

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

Persistent weak control environments and lack of leadership accountability hinder the necessary culture shift

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Movement in audit outcomes from previous year

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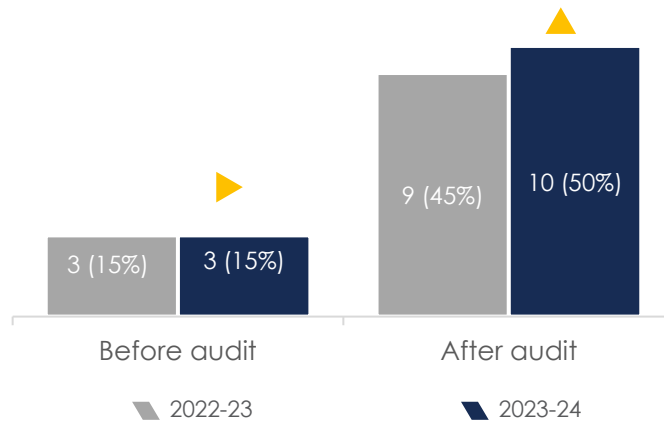
<div> <div>Movement</div> <div>Audit outcome</div> </div>	<div>2</div> <div>Improved</div>	<div>17</div> <div>Unchanged</div>	<div>1</div> <div>Outstanding audits</div>
Unqualified with no findings = 2		Ehlanzeni District, Nkangala District	
Unqualified with findings = 8	eMalahleni	Gert Sibande District, Bushbuckridge, City of Mbombela, Dr Pixley Ka Isaka Seme, Mkhondo, Nkomazi, Thembisile Hani	
Qualified with findings = 9	eMakhazeni	Chief Albert Luthuli, Dipaleseng, Dr. JS Moroka, Govan Mbeki, Lekwa, Msukaligwa, Steve Tshwete, Victor Khanye	
Outstanding = 1			Thaba Chweu Consolidation

Financial statements: accounting for financial performance

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Quality of financial statements

Municipalities



Key observations – since the previous year

- There is a slight improvement in auditees that published quality financial statements, however, 7 (35%) municipalities published quality financial statements because they adjusted AFS submitted for audit.
- Most auditees with qualified opinions are either struggling with preparing cashflow statements or ensuring that all irregular expenditures incurred are accounted for in the annual financial statements or have issues in both areas.

Main qualification areas

- **Cash flow Statement – 6 auditees; (2022-23: 4 auditees)**
- **Irregular expenditure – 5 auditees; (2022-23: 3 auditees)**
- **Property, Plant and Equipment – 3 auditees; (2022-23: 5 auditees)**
- **Receivables – 3 Auditees ; (2022-23: 5 auditees)**
- **Revenue from exchange transactions-2 auditees(2022-23: 4 auditees)**
- **Revenue from non-exchange transactions -2 auditees (2022-23: 3 auditees)**

The drivers of these repeat qualification areas

- Cash flow statement: Incorrectly preparing cash flow statement
- Irregular expenditure: Often identified late due to poor SCM processes.
- Property, infrastructure, plant and equipment : Lack of regular verification leading to inaccurate registers.
- Revenue and receivables: Incorrect billing, weak credit control, and poor reconciliations; CFOs don't oversee consultants' work.
- All these point to the **need for enhanced monitoring** of the **work performed by consultants** and the **need for capacitation of finance units**.

Movement from 2022-23

▲ Improvement
 ▶ Unchanged
 ▲ Slight improvement
 ▼ Slight regression
 ▼ Regression



Movement in the Qualification of Revenue and Receivables in 2023-24

Improvements

Audits:

- **Chief Albert Luthuli (revenue from non-exchange transactions)** – the limitation was removed in 2023-24 as auditee was able to submit the supporting documents previously requested – 12 months billing report.
- **Dipaleseng (Receivables)**– was able to correctly account for sale of electricity, water, sewerage and sanitation in 2023-24 year.
- **Govan Mbeki (Receivables)** (was able to correctly account for debt impairment) **and revenue from exchange transactions** (supporting records were not provided on prepaid electricity from 2022).
- **Thaba Chweu (revenue from exchange transactions)** Correction on service charges with the billing on municipal properties.

Repeat

Audits:

- **Chief Albert Luthuli (receivables)**–failed to recognise all statutory receivables and method used to calculate impairment was not reasonable).
- **Dr JS Moroka (receivables)**-Differences noted between the amounts in the financial statements, general ledger and supporting schedules,**revenue from non-exchange transactions**)-Some properties have not been completely and accurately billed.
- **Emakhazeni((receivables, revenue from exchange and non-exchange transactions)**-
 - Municipality did not bill for all service charges on some properties.
 - Differences noted between the electricity tariffs used and the approved tariff per the area code.
 - Indigent accounts were billed for service charges and consumers no longer indigents were not billed.
 - Interest was not charged on outstanding accounts

New

Audits:

- **Dr JS Moroka (revenue from exchange transactions)**- Some customers have not been completely and accurately billed service charges.

- **Instabilities, skills and capacity issues in revenue/finance department.**
- **Overreliance on consultants** and lack of institutional knowledge.
- **Post-audit action plan** lacks clear steps, hindering resolution of past issues.
- **MFMA S71 & S72** ineffective due to no remedial actions.

Root
causes

- **Transparency issues** due to municipalities failing to submit quality AFS, compromising oversight.
- **Financial sustainability concerns**
- **Poor budgeting practices** lead to unfunded budgets in 12 municipalities.
- **Service delivery failures**, missing targets and lacking funds for basic maintenance.

Impact



Negative impact on Financial health

Municipalities with going concern issues

- Victor Khanye (1 year)
- Emakhazeni (1 year)
- eMalahleni (>5 years)
- Lekwa (>5 years)
- Govan Mbeki (5 years)
- Msukaligwa (2 years)c
- Thaba Chweu(1 year)

Financial health ratios	2020-21	2021-22	2022-23	2023-24
Total own revenue(excluding equitable shares and conditional grants)	R13,08 billion	R13,98 billion	R16,1 billion	R19,9 billion
% of municipal debt not recoverable	60%	58%	61%	65%
>80% of municipal debt not recoverable	30%	25%	60%	45%
Average debt collection period	314 days	516 days	129 days	104 days
Deficit (Exp > Revenue)	50%	50%	55%	55%
< 8% spent on repairs and maintenance	3% on average spent	3% on average spent	2% on average spent	2% on average spent
Water losses	Not available	34,8% (R604,6 million)	44,5% (R906 million)	40% (R620,4 million)

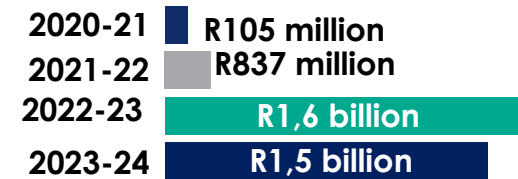
Unfunded adopted budget (Number and % of municipalities)



Unauthorised expenditure



Fruitless and wasteful expenditure



Movement from 2020-21

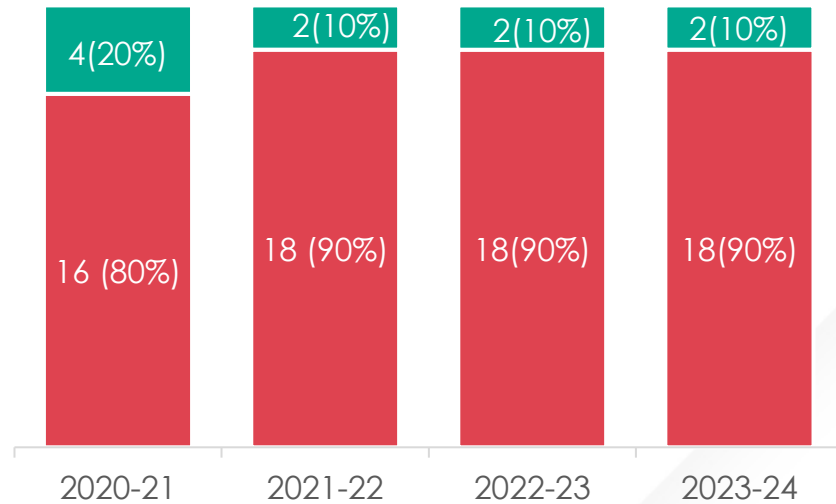
Regression



High levels of material findings on compliance with key legislation

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Material compliance findings

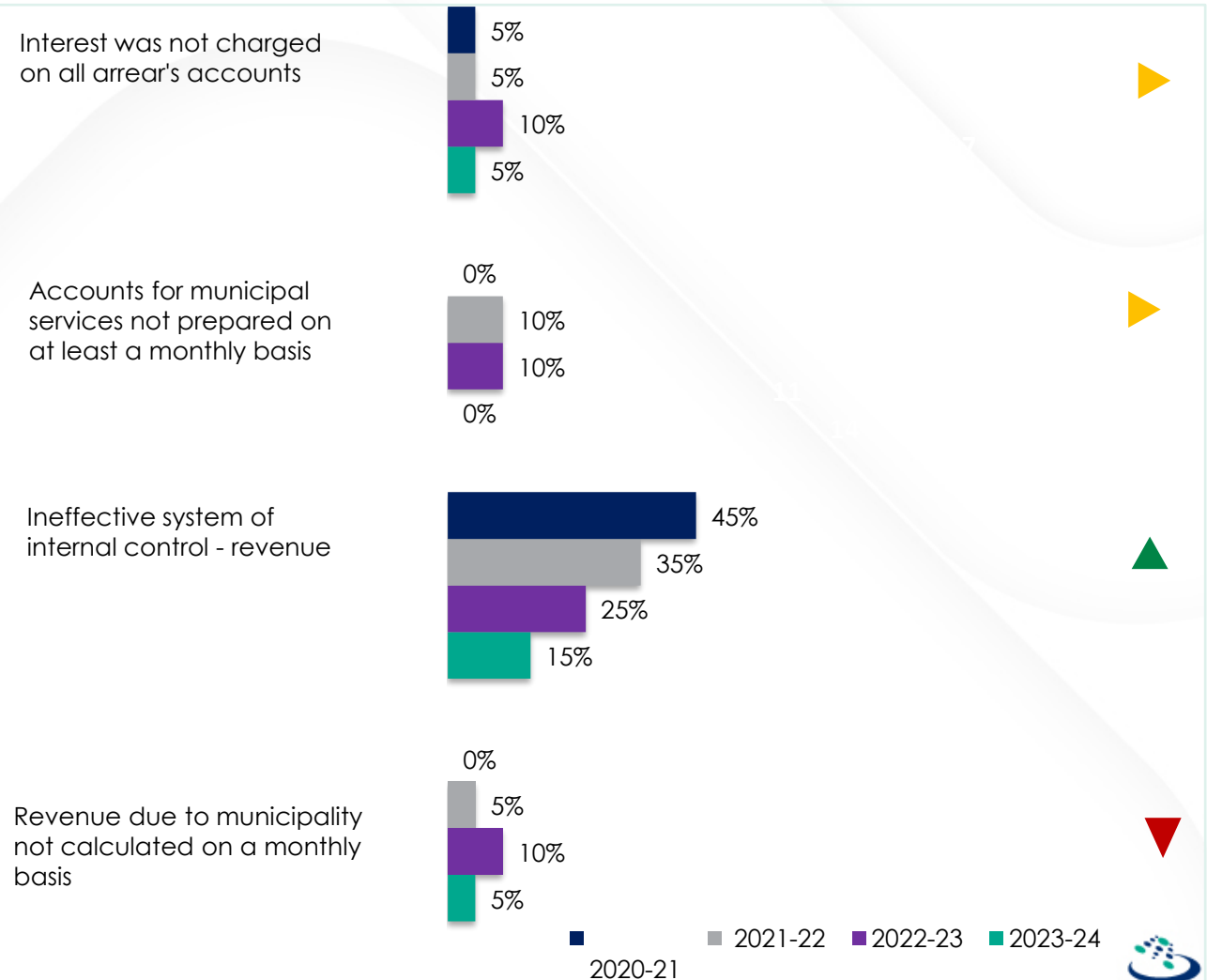


■ No material findings
 ■ Material findings

Movement from 2020-21

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Material non-compliance areas in Revenue management



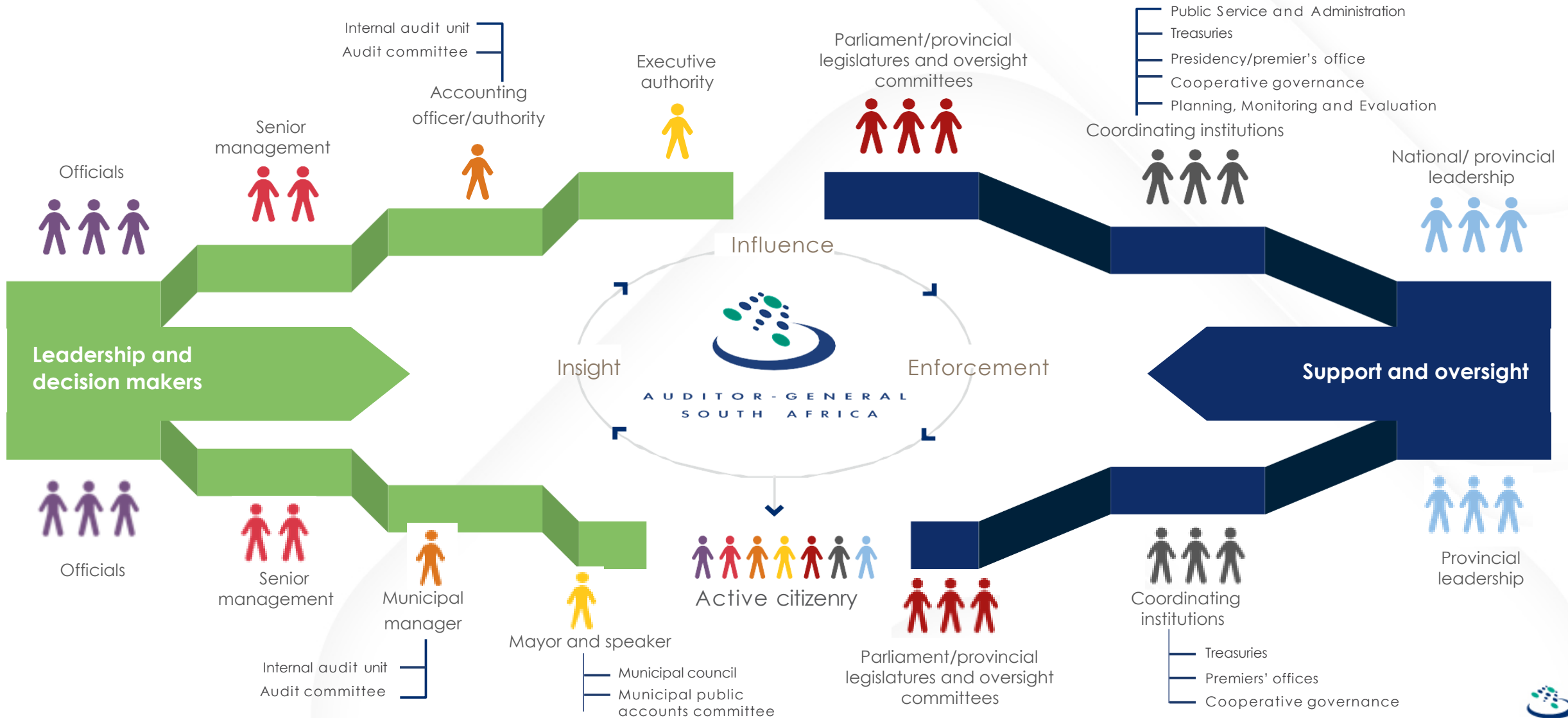
Revenue Management Best practices

- Consistently implement revenue management processes
- Strengthen credit control and debt collection processes e.g. disconnections, penalties for reconnection.
- Workshop standard operating procedures and revenue management policies for awareness amongst all municipal officials.
- Ensure the accuracy, validity and completeness of revenue with respect to property rates and municipal service charges (which will increase consumer confidence).
 - Valuation roll reconciliation tool
 - Analysis of tariffs charged vs tariffs approved
 - Integration of billing i.e. General ledger vs billing reports
 - Monthly revenue reconciliations
- Monitoring consumption of water and/or electricity, to identify where there have been no meter readings which could be as a result of tampering.
- Regular review and update of the indigent register.
- Limit consumption of indigent consumers to the free basic allowance.
- Technical Department to perform analysis of current state of infrastructure to prepare a detailed maintenance / replacement plan to assist in reducing electricity and water losses.
- Implement measures to address illegal connections



All have a role to play in accountability ecosystem

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THANK YOU

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