MFMA Audit readiness Seminar

CIGFARO
Chartered Institute of
Government Finance, Audit & Risk Officers
Eastern Cape Branch

SPEAKER

TOPIC

Revenue and receivables management and reporting

Under the theme: Fortifying the foundation of clean administration - Municipalities meeting to align best practices and closing the gaps to achieve improved audit outcomes

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Section One

Introduction - Strategic Imperative

- Revenue remains the primary source of funding for municipal service delivery, infrastructure maintenance, and long-term financial sustainability.

- Municipalities continue to operate within a challenging macro-economic environment characterised by low economic growth, high unemployment, rising household indebtedness, increasing cost-of-living pressures, and constrained consumer affordability, all of which adversely impact revenue collection and cash flow sustainability.

- Accurate, complete, and reliable revenue information forms the foundation of credible financial reporting and supports leadership in sound financial planning, budgeting, forecasting, and resource allocation decisions.

- Ultimately, better information leads to better decisions, better decisions lead to better management, and better management contributes to improved service delivery and audit outcomes.

Contents

- SECTION TWO: **Enhancement of Accuracy in revenue & receivables reporting:**
  - Common root causes for revenue & receivables deficiencies identified by AGSA
  - Common internal control deficiencies identified by AGSA
  - Practical steps to accuracy enhancement
- SECTION THREE : **Conclusion**

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Section two

Accuracy in revenue & receivables - *Common deficiencies (Root causes) identified by AGSA*

Revenue

1. Lack of adequate evidence to support amounts disclosed in the AFS *(record keeping)*;
2. Not disclosing all revenue *(Completeness)*;
3. Incorrectly recording amounts billed *(accuracy)*

Receivables

1. Not knowing the correct amounts owed (Valuation);
2. Amounts recorded are incomplete (Completeness);
3. Lack of evidence to support amounts disclosed in the AFS *(Record keeping)*

AGSA 2023/24 General Report

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Section two

Common internal control deficiencies identified by AGSA

Three distinct categories of key drivers of internal controls *(in terms of AGSA's assessment of internal control effectiveness)*

AGSA Driver	Primary Stakeholders	Primary Responsibility
Leadership	Mayor, Council, Municipal Manager, CFO, Senior Management *(Political and Administrative Executives)*	Driving culture of honesty, oversight on financial and performance reporting, establishment and communication of policies, monitoring audit action plans.
Financial and Performance Management	CFO, Senior Managers, Finance Officials, Revenue Officials, Budget Officials, Performance Management Officials	Ensuring proper record keeping, implementing daily, weekly and monthly processing & reconciliation of transactions, review & monitoring compliance.
Governance	Internal Audit, Audit Committee, Risk Management, MPAC, Assurance Structures	Implementing appropriate risk management, ensuring adequately resourced & functioning internal audit units, promoting accountability & service delivery through the audit committee

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Section two

Common internal control deficiencies identified by AGSA *(Conti)*

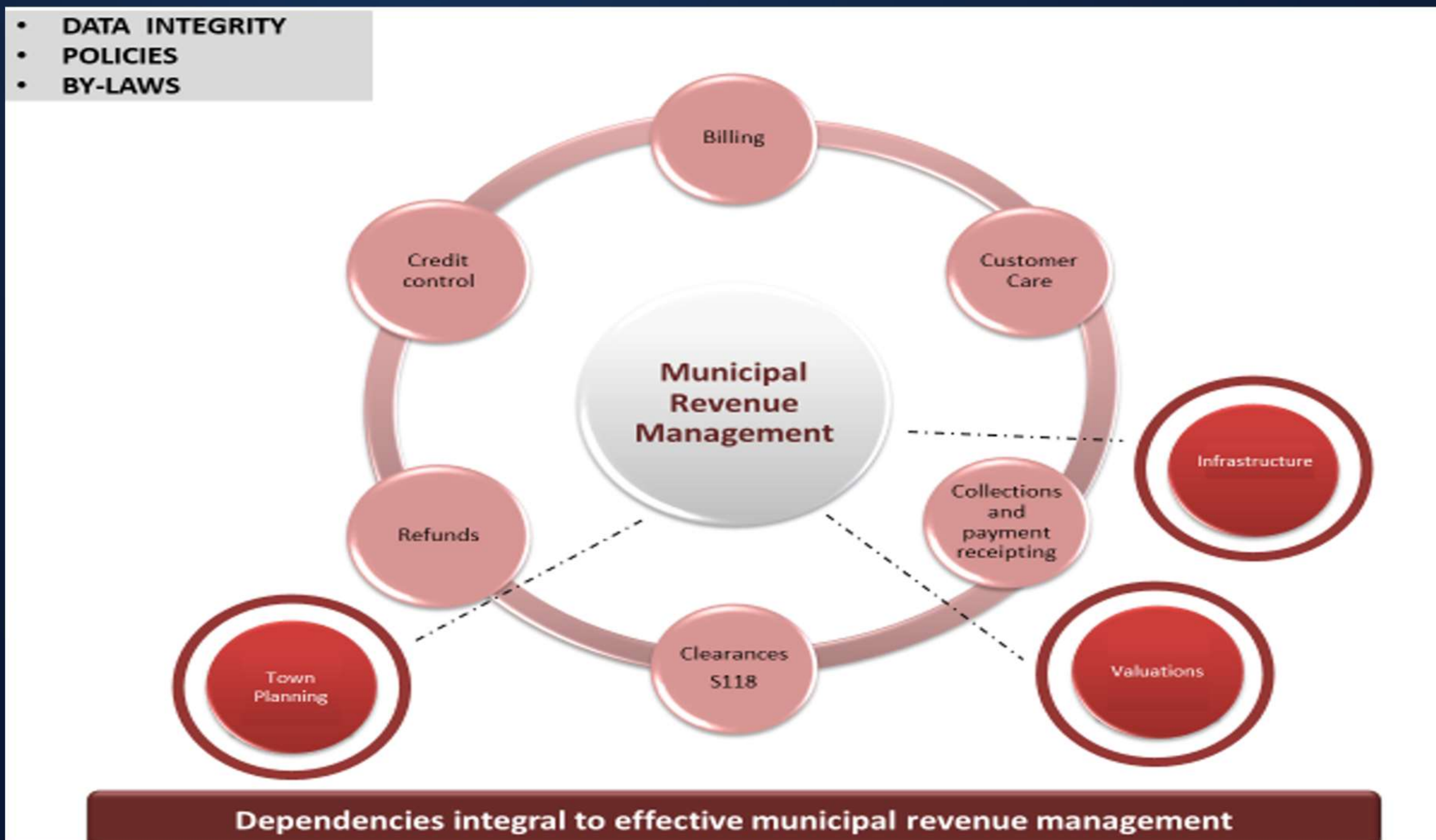
- The rate of internal control deficiencies, per category of key drivers
  - *(Annexure 4 of the 2023/24 MFMA AGSA General Report)*

	Leadership		Financial and performance management		Governance	
Good control environment	#	%	#	%	#	%
	11	23%	10	26%	11	28%
Concerning control environment	#	%	#	%	#	%
	19	49%	15	38%	25	64%
Poor control environment	#	%	#	%	#	%
	11	28%	14	36%	3	8%

Fundamentally, the AGSA is conveying the message that each of the control drivers are not appropriately performing their primary responsibilities in ensuring the effective implementation of internal controls

Section two

Accuracy in billing - Practical steps to enhancement thereof

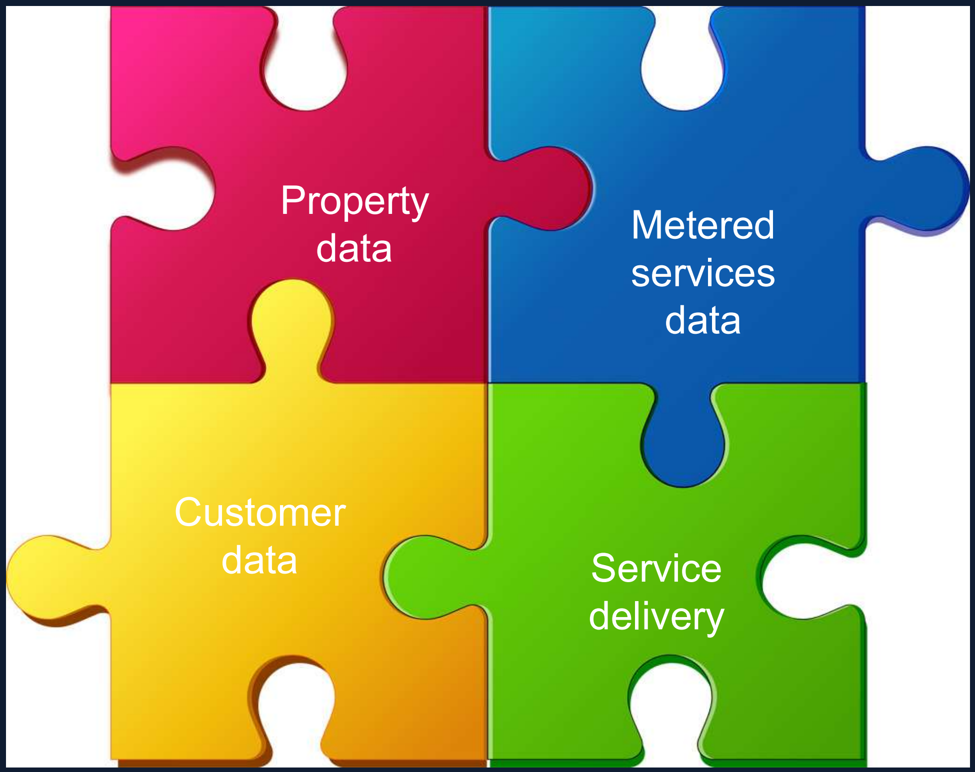


Section two

Accuracy in billing - Practical steps to enhancement thereof (Ensuring data integrity)

Revenue base
- Location
- Valuation
- Usage
- Category
- Registered ownership

Customer
- Identity
- Postal address
- Telephone; email contact
- Indigent?



Trading services
- Meter location
- Prepaid/smart/ conventional
- Regular reading
- R&M/loss management

Service delivery
- Communication
- Awareness
- Query resolution
- Timely presentation of accurate account/billing information

Strengthening the revenue base & achieving accurate billing

Section Three

Conclusion

Critical factor: Municipalities do not achieve clean audits through year-end preparations. They are achieved through consistent financial discipline, effective governance, credible reporting, strong internal controls and continuous oversight exercised throughout the financial year.

- **The management of these inputs therefore become not merely a finance function, but a collective institutional responsibility**.

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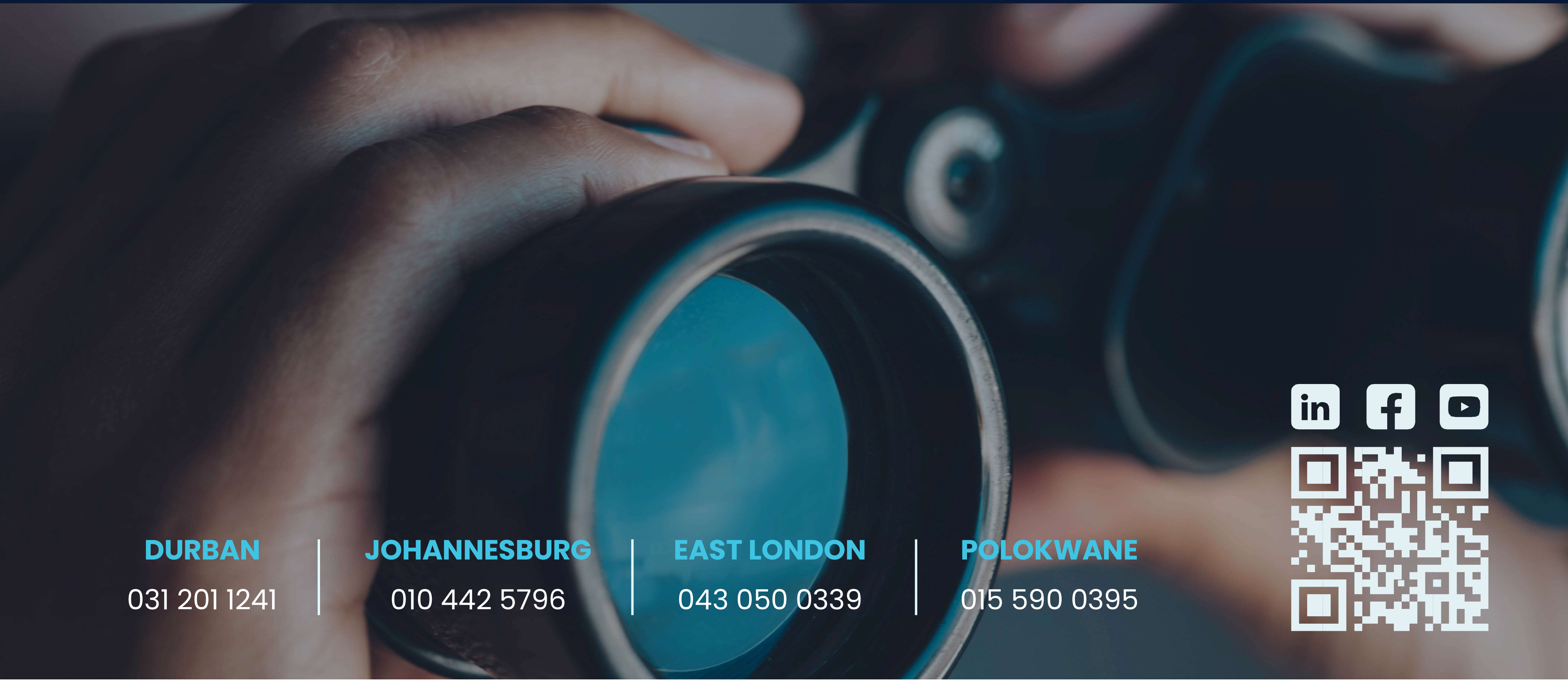
WE ENVISION



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