

GLOSSARY OF TERMS, ACRONYMS AND ABBREVIATIONS

Glossary of key terminology used in this report

Adverse audit opinion (on financial statements)

(Overall audit outcomes, section 2.1)

The financial statements contain misstatements (*see 'misstatement'*) that are not confined to specific amounts, or the misstatements represent a substantial portion of the financial statements.

Asset (in financial statements)

(Uncorrected material misstatements in financial statements, section 3.1)

Any item belonging to the auditee, including property, infrastructure, equipment, cash as well as debt due to the auditee.

Assurance / assurance provider

(Initiatives and impact of key role players on audit outcomes, section 5)

As used in this report, a positive declaration that is intended to give confidence in the credibility of financial and performance reports tabled by auditees as well as confidence in the extent to which auditees have adhered to applicable legislation.

Through the audit report, we provide assurance on the credibility of auditees' financial and performance information as well as their compliance with legislation.

There are role players in local government, other than the external auditors, that are also required to contribute to assurance and confidence by ensuring that adequate internal controls are implemented to achieve auditees' financial, service delivery and compliance objectives. Such assurance providers include senior auditee officials, various committees (for example, municipal public accounts committees, performance committees and audit committees) and internal audit units.

Other role players that should provide assurance further include oversight structures and coordinating or monitoring departments (which are defined elsewhere in this glossary).

Capital budget

(Key risk area, financial health, section 3.5)

The estimated amount planned to be spent by auditees on capital items in a particular financial period; for example, fixed assets such as property, infrastructure and equipment with long expected lives and that are required to provide services, produce income or support operations.

Cash flow (in financial statements)

(Key risk area, financial health, section 3.5)

The flow of money from operations: incoming funds are revenue (cash inflow) and outgoing funds are expenses (cash outflow).

Clean audit (on financial statements)

(Overall audit outcomes, section 2.1)

The financial statements receive a financially unqualified audit opinion and there are no material findings on the quality of the annual performance report or non-compliance with legislation.

Commitments from role players

(Initiatives and impact of key role players on audit outcomes, section 5)

Initiatives and courses of action communicated to us by role players in local government aimed at improving the audit outcomes.

Conditional grants

(Key risk area, financial health, section 3.5)

Money transferred from national government to auditees, subject to certain services being delivered or on compliance with specified requirements.

Consolidated financial statements

(Overall audit outcomes, section 2.1)

Financial statements that reflect the combined financial position and results of a municipality and those of the municipal entities under its control.

Creditors

(Compliance with legislation, section 2.3)

Persons, companies or organisations that the auditee owes money to for goods and services procured from them.

Current assets (in financial statements)

(Key risk area, financial health, section 3.5)

These assets are made up of cash and other assets, such as inventory or debt for credit extended, which will be traded, used or converted into cash in less than 12 months. All other assets are classified as non-current, and typically include property, plant and equipment as well as long-term investments.

Disclaimer of opinion (on financial statements)

(Overall audit outcomes, section 2.1)

The auditee provided insufficient evidence in the form of documentation on which we could base an audit opinion. The lack of sufficient evidence is not confined to specific amounts, or represents a substantial portion of the information contained in the financial statements.

Financial and performance management (as one of the drivers of internal control)

(Significant deficiencies in internal controls, section 4.1)

The performance of internal control and monitoring-related tasks by management and other employees to achieve the financial management, reporting and service delivery objectives of the auditee.

These controls include the basic daily and monthly controls for processing and reconciling transactions, preparing regular and credible financial and performance reports as well as reviewing and monitoring compliance with legislation.

Financially unqualified audit opinion (on financial statements)

(Overall audit outcomes, section 2.1)

The financial statements contain no material misstatements (see 'material misstatement'). Unless we express a clean audit opinion, findings have been raised on either the annual performance report or non-compliance with legislation, or both these aspects.

Fruitless and wasteful expenditure

(Compliance with legislation, section 2.3.3)

Expenditure that was made in vain and could have been avoided had reasonable care been taken. This includes penalties and interest on the late payment of creditors or statutory obligations as well as payments made for services not utilised or goods not received.

Going concern

(Key risk area, financial health, section 3.5)

The presumption that an auditee will continue to operate in the near future, and will not go out of business and liquidate its assets. For the going concern presumption to be reasonable, the auditee must have the capacity and prospect to raise enough financial resources to stay operational.

Governance (as one of the drivers of internal control)

(Significant deficiencies in internal controls, section 4.1)

The governance structures (audit committees) and processes (internal audit and risk management) of an auditee.

Human resource (HR) management

(Key risk area, HR, section 3.3.1)

The management of an auditee's employees, or human resources, which involves adequate and sufficiently skilled people as well as the adequate management of their performance and productivity.

Information technology (IT)

(Key risk area, IT, section 3.4)

The computer systems used for capturing and reporting financial and non-financial transactions.

IT controls

(Key risk area, IT, section 3.4)

Computer-related controls ensure the confidentiality, integrity and availability of state information, enable service delivery and promote national security.

IT governance

(Key risk area, IT, section 3.4)

The leadership, organisational structures and processes which ensure that the auditee's IT resources will sustain its strategies and objectives.

IT security management

(Key risk area, IT, section 3.4)

The controls preventing unauthorised access to auditee networks, operating systems and application systems that generate financial information.

IT service continuity

(Key risk area, IT, section 3.4)

The processes managing the availability of hardware, system software, application software and data to enable auditees to recover or re-establish information system services in the event of a disaster.

IT user access management

(Key risk area, IT, section 3.4)

The procedures through which auditees ensure that only valid, authorised users are allowed segregated access to initiate and approve transactions on the information systems.

Internal control/key controls

(Significant deficiencies in internal controls, section 4.1)

The process designed and implemented by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of the auditee's objectives with regard to the reliability of financial reporting, the effectiveness and efficiency of operations, and compliance with applicable legislation.

It consists of all the policies and procedures implemented by auditee management to assist in achieving the orderly and efficient conduct of business, including adhering to policies, safeguarding assets, preventing and detecting fraud and error, ensuring the accuracy and completeness of accounting records, and timeously preparing reliable financial and service delivery information.

Irregular expenditure

(Compliance with legislation, section 2.3.2)

Key drivers of internal control

(Significant deficiencies in internal controls, section 4.1)

Leadership (as one of the drivers of internal control)

(Significant deficiencies in internal controls, section 4.1)

Material finding (from the audit)

(SCM, HR management, IT controls)

Material misstatement (in financial statements or annual performance reports)

(Key risk area, quality of the annual performance reports, section 2.2; Key risk area, quality of the financial statements, section 3.1)

Misstatement (in financial statements or annual performance reports)

(Key risk area, quality of the annual performance reports, section 2.2; Key risk area, quality of the financial statements, section 3.1)

Net current liability

(Key risk area, financial health, section 3.5)

Net deficit (incurred by auditee)

(Key risk area, financial health, section 3.5)

Operational budget/operating budget

(Key risk area, financial health, section 3.5)

Oversight structures as well as coordinating and monitoring departments

(Initiatives and impact of key role players on audit outcomes, section 5)

Expenditure incurred without complying with applicable legislation.

The three components of internal control that should be addressed to improve audit outcomes, namely *leadership, financial and performance management*, and *governance* (which are defined elsewhere in this glossary.)

The administrative leaders of an auditee, such as municipal managers and senior management.

It can also refer to the political leadership (including the mayor and the council) or the leadership in the province (such as the premier).

An audit finding on the quality of the annual performance report or non-compliance with legislation that is significant enough in terms of either its amount or its nature, or both these aspects, to be reported in the audit report.

An error or omission that is significant enough to influence the opinions or decisions of users of the reported information. Materiality is considered in terms of either its rand value or the nature and cause of the misstatement, or both these aspects.

Incorrect or omitted information in the financial statements or annual performance report.

The amount by which the sum of all money owed by an auditee and due within one year exceeds the amounts due to the auditee within the same year.

The amount by which an auditee's spending exceeds its income during a period or financial year.

A short-term budget, usually prepared annually, based on estimates of income and expenses associated with the auditee's operations, such as service delivery costs, administration and salaries.

Oversight structures consist of the provincial legislatures, the portfolio committees on local government and the National Council of Provinces.

Coordinating or monitoring departments include the Department of Performance Monitoring and Evaluation, the National Treasury and provincial treasuries, the national and provincial departments of cooperative governance as well as the offices of the premier.

Property, infrastructure and equipment (in financial statements)

(Uncorrected material misstatements in financial statements, section 3.1)

Qualified audit opinion (on financial statements)

(Overall audit outcomes, section 2.1)

Receivables/debtors (in financial statements)

(Uncorrected material misstatements in financial statements, section 3.1)

Reconciliation (of accounting records)

(Significant deficiencies in internal controls, section 4.1)

Root causes (of audit outcomes)

(Summary of root causes, section 4.2)

Supply chain management (SCM)

(Compliance with legislation, section 3.2)

Unauthorised expenditure

(Compliance with legislation, section 2.3.1)

Assets that physically exist and are expected to be used for more than one year, including land, buildings, leasehold improvements, equipment, furniture, fixtures and vehicles.

The financial statements contain material misstatements in specific amounts, or there is insufficient evidence for us to conclude that specific amounts included in the financial statements are not materially misstated.

Money owed to the auditee by persons, companies or organisations that have procured goods or services from the auditee.

The process of matching one set of data to another; for example, the bank statement to the cheque register, or the accounts payable journal to the general ledger.

The underlying causes or drivers of audit findings; in other words, why the problem occurred. Addressing the root cause helps ensure that the actions address the real issue, thus preventing or reducing the incidents of recurrence, rather than simply providing a one-time or short-term solution.

Procuring goods and services through a tender or quotation process and monitoring the quality and timeliness of the goods and services provided.

Expenditure that was in excess of the amount budgeted or allocated by government to the auditee, or that was not incurred in accordance with the purpose for which it was intended.

Acronyms and abbreviations

AFS	annual financial statements
AG	auditor-general (the person)
AGSA	Auditor-General of South Africa (the institution)
APAC	Association of Public Accounts Committees
APP	annual performance plan
BCP	business continuity plan
CEO	chief executive officer
CFO	chief financial officer
CGICTPF	corporate governance of information and communication technology policy framework
CoGTA	Department of Cooperative Governance and Traditional Affairs
CWP	community works programme
DBSA	Development Bank of Southern Africa
DM	district municipality
DoRA	Division of Revenue Act
DPME	Department of Performance Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DRP	disaster recovery plan
FMPPI	framework for managing programme performance information
GITO	government information technology officer
GRAP	Generally Recognised Accounting Practice
HR	human resources
ICT	information and communication technology

IDP	integrated development plan
IT	information technology
LGTAS	local government turnaround strategy
LM	local municipality
MAT	municipal assessment tool
ME	municipal entity
MEC	member of the executive council
metro	metropolitan municipality
MFMA	Municipal Finance Management Act, 2003 (Act No. 56 of 2003)
MIG	municipal infrastructure grant
MIS	management information system
MISA	Municipal Infrastructure Support Agent
MPAC	municipal public accounts committee
MPAT	management performance assessment tool
MSA	Municipal Systems Act, 2000 (Act No. 32 of 2000)
MSIG	municipal systems improvement grant
MTEF	medium-term expenditure framework
MTREF	medium-term revenue and expenditure framework
NCOP	National Council of Provinces
OCA	Operation clean audit
PAC	public accounts committee
PDO	predetermined objective
PFMA	Public Finance Management Act, 1999 (Act No. 1 of 1999)

PMS	performance management system
Rxx b	billions of rand
Rxx k	thousands of rand
Rxx m	millions of rand
SALGA	South African Local Government Association
SCM	supply chain management
SCOA	standard chart of accounts
SDBIP	service delivery and budget implementation plan
SLA	service level agreement