



Local government audit outcomes

MFMA
2018-19

Okhahlamba local Municipality

Portfolio Committee on Co-operative Governance and Traditional Affairs

10 March 2021



AUDITOR - GENERAL
SOUTH AFRICA



MISSION

“The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it 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 (SAI) that enhances public sector accountability.”

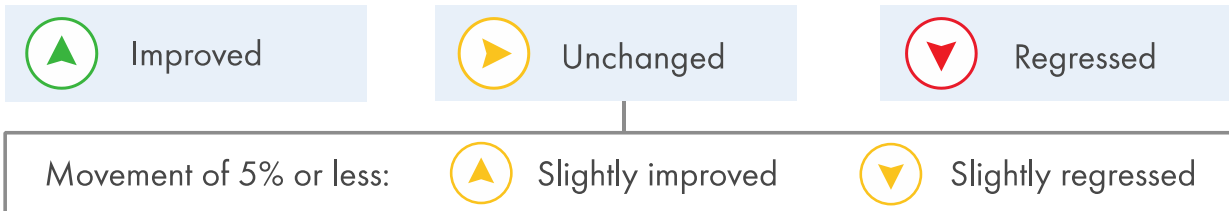
Important to note

The percentages in this presentation are calculated based on the **completed audits of 53 municipalities as at 31 January 2020**, unless indicated otherwise.

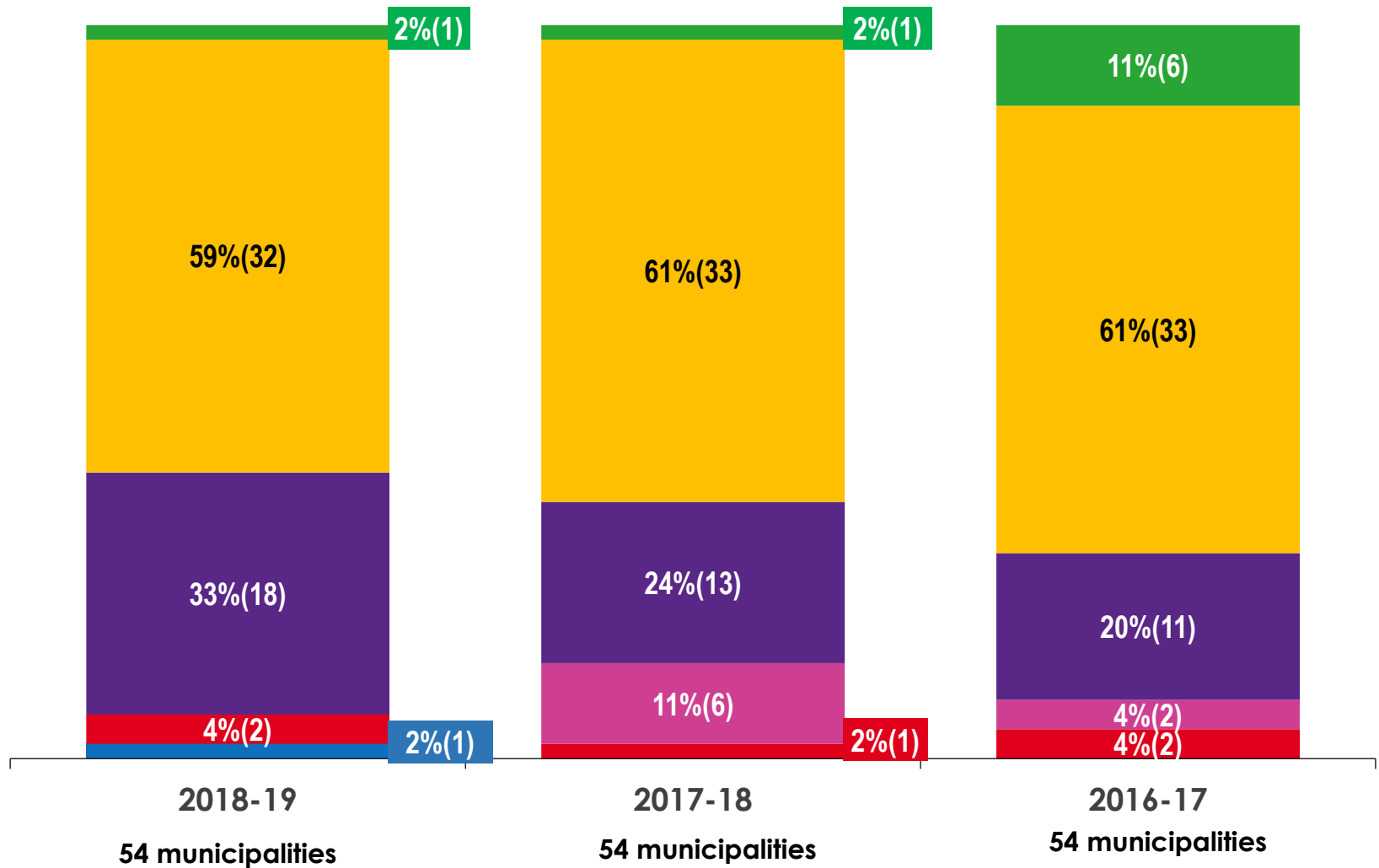
Audit outcomes are indicated as follows:

-  Unqualified with no findings
-  Unqualified with findings
-  Qualified with findings
-  Adverse with findings
-  Disclaimed with findings
-  Outstanding audits

Movement from the previous year is depicted as follows:



Audit outcomes show a slight improvement – municipalities



Overall key message

Trends in audit outcomes

Unqualified with no findings

Unqualified with no findings

Unqualified with no findings

2018-19

2017-18

2016-17

Types of audit outcomes

Unqualified with no findings

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

Annual financial statements	Movement	2018/19	2017/18	2016/17
Audit opinion	●➤	Unqualified	Unqualified	Unqualified
Audit of Predetermined Objectives (AoPO)	Movement	2018/19	2017/18	2016/17
Basic services (Material findings)	●➤	None	None	None
Compliance	Movement	2018/19	2017/18	2016/17
Findings	●➤	None	None	None



Risk areas

Quality of submitted financial statements



Quality of submitted performance information



Supply chain management



Financial health



Human resource management



Information technology

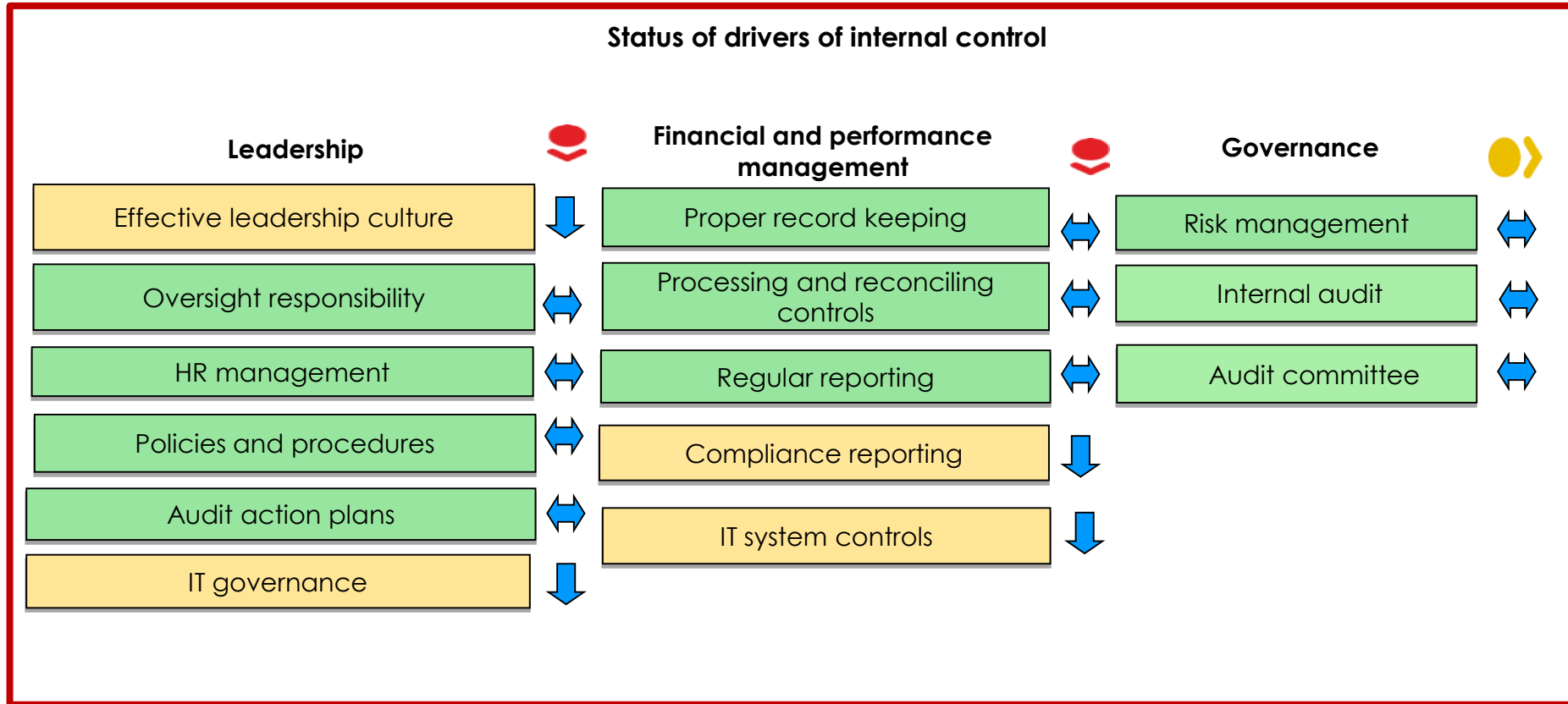


Good

Concerning

Intervention required

Key controls



Best practices maintained

- Continuous monitoring of compliance with polices and regulations
- Ensuring adequate and resourced internal audit
- Strong control environment that promotes clean administration with top level of management leading by example

...



Audit opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Okhahlamba Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (DoRA).



Emphasis of matter

Material provision for impairment

As disclosed in notes 9 to the financial statements, the municipality raised a material provision for bad debt of R32,39 million (2018: R24,43 million) on consumer debts as the recoverability of these amounts was considered doubtful.

Restatement of corresponding figures

As disclosed in note 34 to the financial statements, the corresponding figures for 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

Irregular expenditure

As disclosed in note 39 to the financial statements, the municipality incurred irregular expenditure of R31,41 million, as proper tender processes were not followed.



Predetermined Objectives

The basic services delivery and infrastructure development objective was evaluated for usefulness and reliability of the reported performance information. Compliance with legislation



Compliance with legislation

Compliance with legislation



Internal control deficiencies

I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. I did not identify any significant deficiencies in internal control.





Irregular expenditure

Definition: Expenditure that was incurred in contravention of applicable laws and legislations

2018-19	2017-18
R31,41 million	nil

Fruitless and wasteful expenditure

Definition: Expenditure that should not have been incurred (incurred in vain that could have been avoided and no value for money received)

2018-19	2017-18
R51 260	R 35 366



Unauthorised expenditure

Definition : Expenditure incurred in excess of the approved budget vote

2018-19	2017-18
R2,44 million	nil

Conclusion

How to maintain audit outcomes

- Maintain institutionalised internal controls
- Good governance (capacitation and effectiveness of audit committee, internal audit, functioning oversight structures e.g. MPAC)
- Maintain capacitated and skilled personnel in finance departments
- Maintain financial and administration systems that are strong and reliable
- Keep regular, accurate and complete financial performance reporting



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