

**AGSA briefing
MFMA Audit Cycle 2018-19
Northern Cape**

Magareng Local Municipality

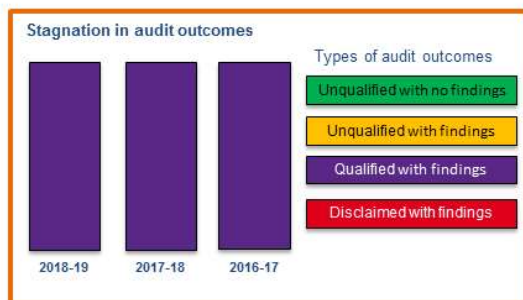
16 March 2021



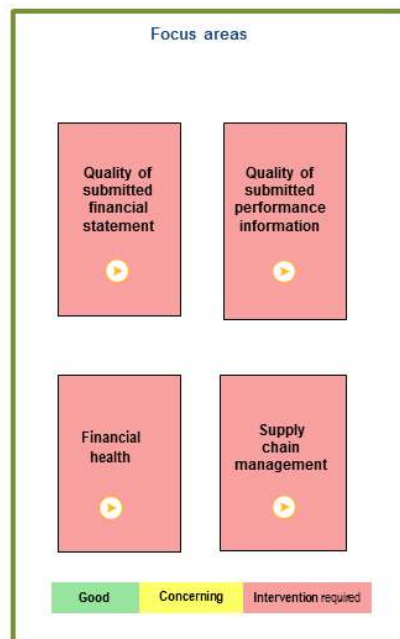
**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence

Magareng Local Municipality



- 99% SCM related
- Prior year IE was not investigated
- IE amounting to R0 million were written-off
- 77% of IE related to multi-year contracts



Overall key message

Slow response by management

- The municipality received a qualified opinion in during the prior year. The current year's opinion is also a qualified audit opinion, which means the municipality remained stagnant.
- Material misstatements were identified in PPE, Revenue, Impairment of assets and irregular expenditure and remains concerning with regard to the quality of submitted AFS.
- Goods and services with a transaction value of below R200 000 were procured without obtaining the required price quotations, in contravention of by SCM regulations and bid documentation for procurement of commodities designated for local content and production, did not stipulated the minimum threshold for local production which mean the municipality did not comply with. Furthermore, the municipality does not have adequate processes in place to identify such irregular expenditure. Processes in place do not detect non-compliance relating to procurement processes that are not followed. A significant amount of irregular expenditure relating to SCM was identified during the audit process that was not disclosed in the financial statements
- Auditors were limited in the audit of Investment property, land, building community assets and receivables amongst others. This is due to the municipality not implementing sufficient proper record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

Slow response by leadership

- The leadership of the municipality did not adequately develop and monitor the implementation of action plans to address internal control deficiencies. The action plan was going to provide assist management on which areas to place focus in order to improve the audit outcome.
- Failure by political leadership to hold investigate and enforce accountability with regard to unauthorized, irregular, fruitless and wasteful expenditure. A proper process of consequence management not established

Analysis of financial statements

The municipality made a deficit status continues to increase in the current financial year as compared to the prior year, this indicates the municipalities finances are deteriorating.

A significant amount of current creditors on the face of the AFS, resulting in a net current liability position for the municipality. The effect of the position will be possible non-compliance with expenditure management where suppliers of goods and services will not be settled within the legislated time frames affecting service delivery negatively.

Significant amounts of unauthorised, irregular fruitless and wasteful expenditure with lack of consequences.

Unspent conditional grants and receipts from National Treasury for which no rollover represent poor planning and service delivery.

The debtors age also indicates the majority of the municipalities debtor are outstanding of more than 90 days which results in huge debt write-offs for the municipality.

Almost 97% in provision for consumer debtors Impairment which shows the municipalities lack of efforts in recovering monies for services supplied.