

Sarah Baartman District



History of Audit Outcomes 2018-19



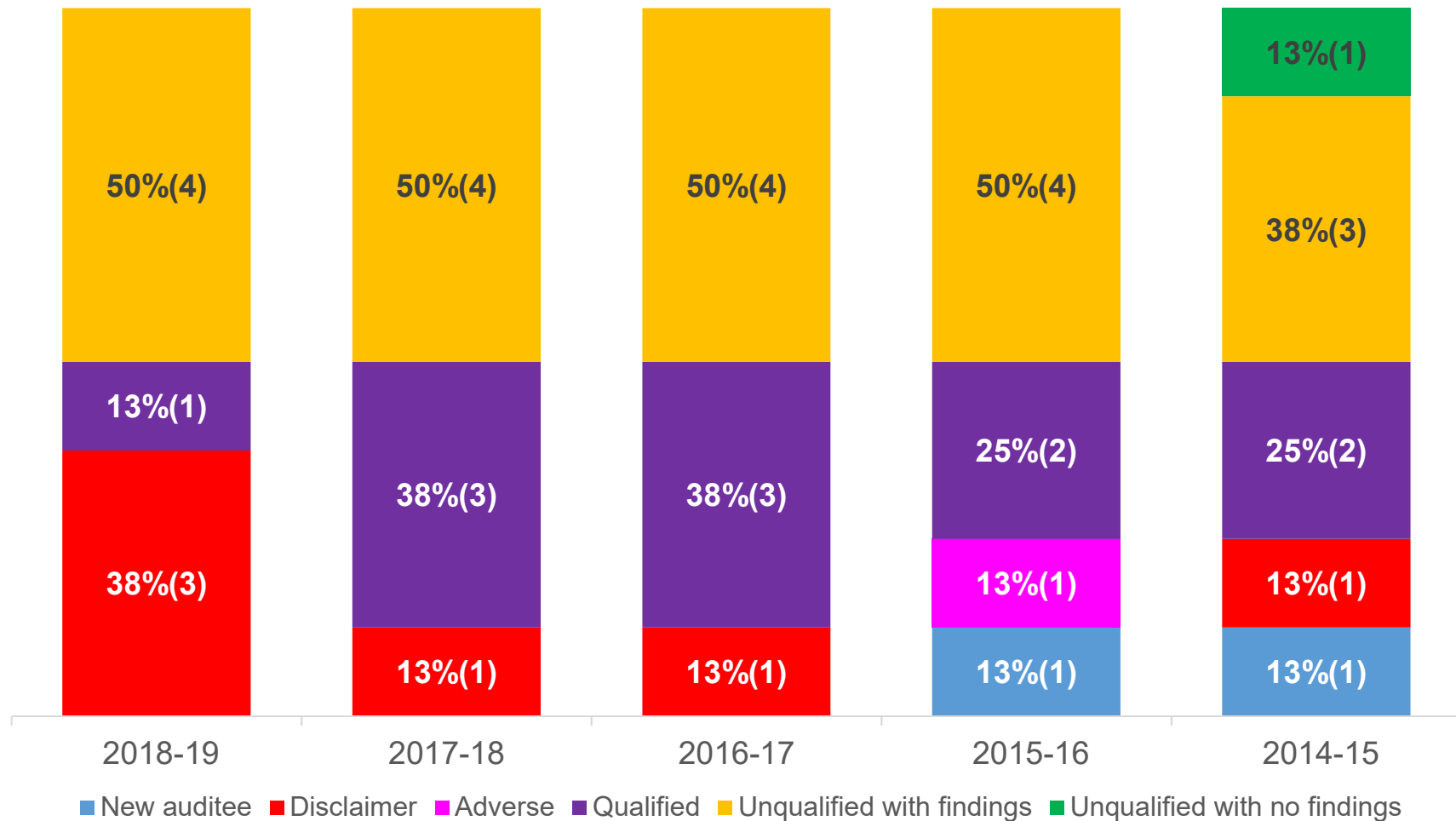
AUDITOR-GENERAL
SOUTH AFRICA

District Overview 2018-19

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5 Year Audit Outcomes



5 Year Audit Outcomes

Auditee	Audit outcome 2018-19			Audit outcome 2017-18			Audit outcome 2016-17			Audit outcome 2015-16			Audit outcome 2014-15		
	Audit opinion	PDO	Compliance	Audit opinion	PDO	Compliance	Audit opinion	PDO	Compliance	Audit opinion	PDO	Compliance	Audit opinion	PDO	Compliance
Sarah Baartman District	Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with no findings		
Blue Crane Route	Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings		
Dr Beyers Naudé	Disclaimer			Disclaimer			Disclaimer			New auditee			New auditee		
Kou Kamma	Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings		
Kouga	Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings			Unqualified with findings		
Makana	Disclaimer			Qualified			Qualified			Qualified			Qualified		
Ndlambe	Qualified			Qualified			Qualified			Qualified			Qualified		
Sundays River Valley	Disclaimer			Qualified			Qualified			Adverse			Disclaimer		



Movement table (2018-19 over 2017-18)

	Improved 0	Unchanged 6	Regressed 2
Unqualified with no findings			
Unqualified with findings = 4		Sarah Baartman Blue Crane Kouga Koukamma	
Qualified with findings = 1		Ndlambe	
Disclaimed with findings = 3		Dr Beyers Naudé	Makana Sundays River Valley



Colour of the indicates the audit opinion from which the auditee has moved.

Performance reporting



12% produced quality performance reports

	Movement	2018-19
Preparation of performance reports		100%
Quality submission for auditing		13%
Quality of published performance report		13%

Findings

Performance indicators and targets not useful		25%
Achievement reported not reliable		63%
No underlying records or planning documents		38%

Impact

The performance reports are not a true reflection of the delivery by the municipalities in line with what was promised in the integrated development plans as agreed with the communities.



Preventative controls that failed

Defined performance management systems and processes

Disciplined record keeping and document control

Regular in-year reporting and monitoring



Compliance with key legislation

Overall non-compliance



Auditees with material non-compliance findings

Movement



2018-19

100%

2017-18

100%

Most common non-compliance areas



Procurement and contract management



100%

100%



Quality of financial statements



100%

100%



Prevention of unauthorised, irregular, fruitless and wasteful (UIFW) expenditure



100%

100%

Overall status of supply management findings

2018-19

100% (8)

2017-18

100% (8)

With no findings

With findings

With material findings

0

0



Number of auditees that improved



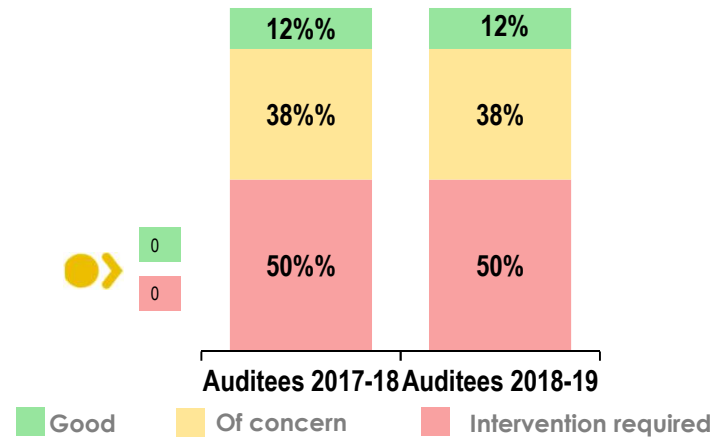
Number of auditees that regressed



Financial health of auditees

53257
28760
260835

What the numbers say



- **40% (2)** of auditees were in a vulnerable financial position – this means they might not have the finances to continue with operations.
- **100% (5)** of the auditees had more than 10% of debt irrecoverable, this further exposed these auditees to financial risks and non recovery of debt owed to them.

- **20% (1)** of the auditees took longer than 90 days to collect debt from debtors.
- Average debtor collection period was **90 days**

- **40% (2)** of the auditees took longer than 90 days to pay their creditors.
- Average creditor payment period was **79 days.**

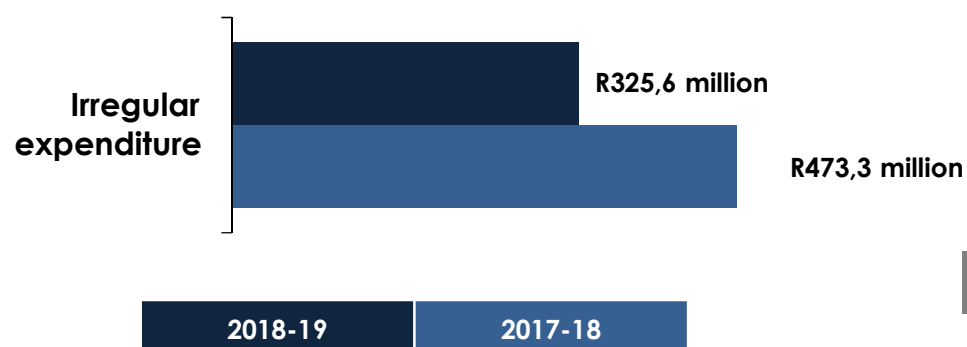


Irregular expenditure incurred decreased over two years

Definition

Expenditure incurred in contravention of key legislation; goods delivered but prescribed processes not followed

Irregular expenditure incurred



Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The majority of the disclosed irregular expenditure was caused by non-compliance with SCM regulations.

Nature of irregular expenditure

The most common transgressions related to; Deviations that were not justifiable or not approved; bids not adjudicated by properly constituted adjudication committee and incorrect application of the PPPFA

Opening Balance	1 342 137 309
Incurred	325 630 607
Less: Written off	(250 001 069)
Closing Balance	<u><u>1 417 766 847</u></u>



Irregular Expenditure 2018-19

Auditee	Opening balance	Current	Condoned	Recovered / transferred to receivables for recovery	Written off as Irrecoverable	Closing balance
Blue Crane Route Municipality	95 956 021	18 904 481	-	-	93 943 049	20 917 453
Dr Beyers Naudé Local Municipality	160 689 270	44 394 130	-	-	119 459 506	85 623 894
Kou Kamma Municipality	119 583 468	7 652 661	-	-	-	127 236 129
Kouga Municipality	98 699 214	7 660 307	-	-	36 425 425	69 934 096
Makana Municipality	227 865 746	57 481 023	-	-	-	285 346 769
Ndlambe Municipality	441 048 932	122 705 267	-	-	-	563 754 199
Sarah Baartman District Municipality	320 518	1 400 079	-	-	173 089	1 547 508
Sundays River Valley Municipality	197 974 140	65 432 659	-	-	-	263 406 799
Total	1 342 137 309	325 630 607	-	-	250 001 069	1 417 766 847

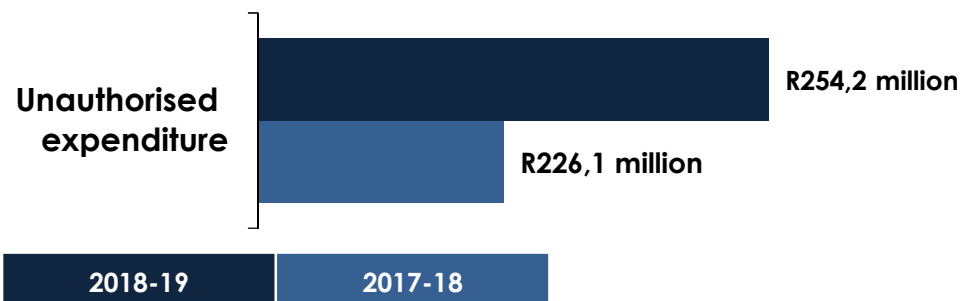


Unauthorised expenditure increased over two years

Definition

Expenditure not in accordance with the budget vote / overspending of budget or programme

Unauthorised expenditure incurred



Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA.

Nature of unauthorised expenditure

The municipalities incurred unauthorised expenditure due to overspending of the budget.

Opening Balance	956 478 366
Incurred	254 193 855
Less: Written off	0
Closing Balance	<u>1 245 627 225 23</u>



Unauthorised Expenditure 2018-19

Auditee	Opening balance	Incurred	Authorised in an adjustments budget	Recovered/ transferred to receivables for recovery	Written off as Irrecoverable	Closing balance
Blue Crane Route Municipality	11 053 442	7 173 518	-	-	-	18 226 960
Dr Beyers Naudé Local Municipality	182 219 561	102 035 535	-	-	-	284 255 096
Kou Kamma Municipality	18 040 699	-	-	-	-	18 040 699
Kouga Municipality	-	-	-	-	-	-
Makana Municipality	461 480 908	84 304 323	-	-	-	545 785 231
Ndlambe Municipality	154 415 756	58 833 132	-	-	-	237 308 714
Sarah Baartman District Municipality	-	-	-	-	-	-
Sundays River Valley Municipality	129 268 000	1 847 347	-	-	-	142 010 525
Total	956 478 366	254 193 855	-	-	-	1 245 627 225

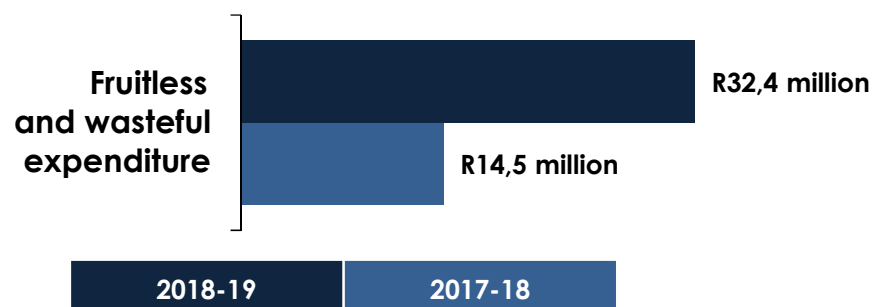


Fruitless and wasteful expenditure increased over two years

Definition

Expenditure incurred in vain and could have been avoided if reasonable steps had been taken – no value for money

Fruitless and wasteful expenditure incurred



Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 40 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Most of the disclosed fruitless and wasteful expenditure was caused by interest from late payments and penalties

Nature of fruitless and wasteful expenditure

Fruitless and wasteful expenditure relates to interest and penalties.

Opening Balance	67 167 800
Incurred	32 421 701
Less: Written off	(1 002 791)
Closing Balance	<u>98 586 710</u>



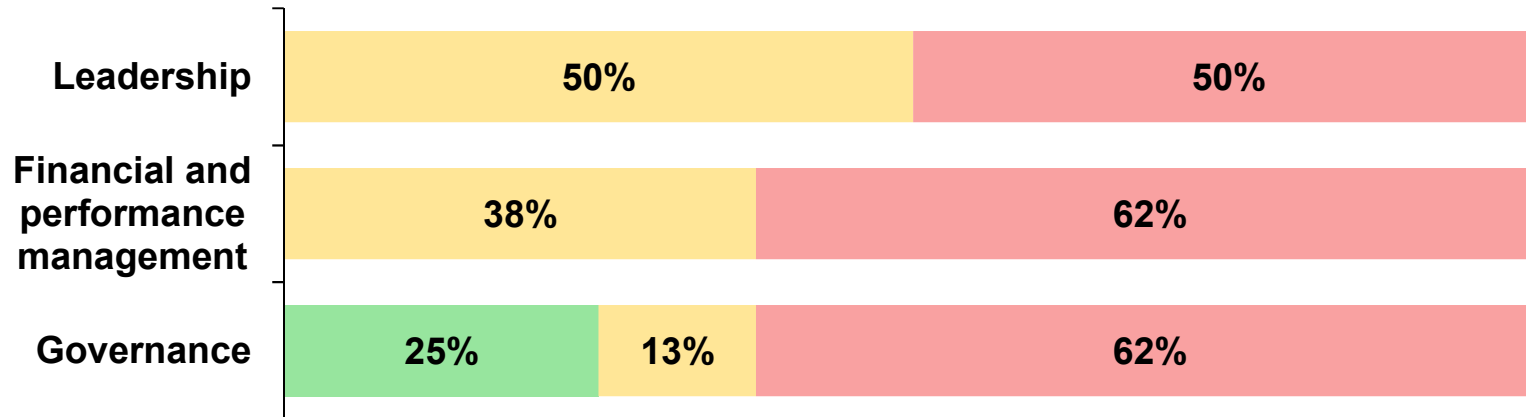
Fruitless and Wasteful Expenditure 2018-19

Auditee	Opening balance	Current	Recovered/ transferred to receivables for recovery	Written off as Irrecoverabl e	Closing Balance
Blue Crane Route Municipality	834 861	10 684	-	-	845 545
Dr Beyers Naudé Local Municipality	8 431 856	7 813 364	-	-	16 245 220
Kou Kamma Municipality	4 974 445	289 537	-	-	5 263 982
Kouga Municipality	35 839 929	53 650	-	1 000 416	34 893 163
Makana Municipality	12 238 727	12 788 532	-	-	25 027 259
Ndlambe Municipality	382 028	10 662 134	-	-	11 044 162
Sarah Baartman District Municipality	27 181	4 911	-	2 375	29 717
Sundays River Valley Municipality	4 438 773	798 889	-	-	5 237 662
Total	67 167 800	32 421 701	-	1 002 791	98 586 710

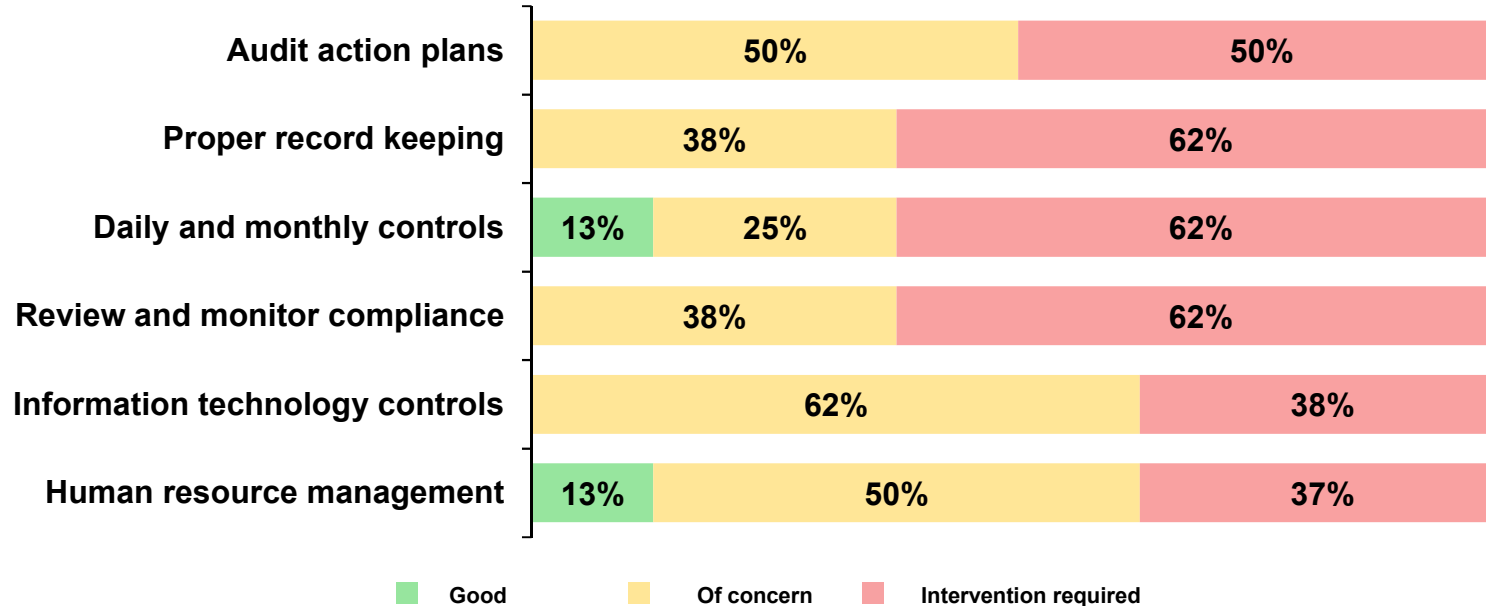


Strong control environment not enabled by leadership – internal controls

Drivers of internal control



Basic controls



■ Good
 ■ Of concern
 ■ Intervention required



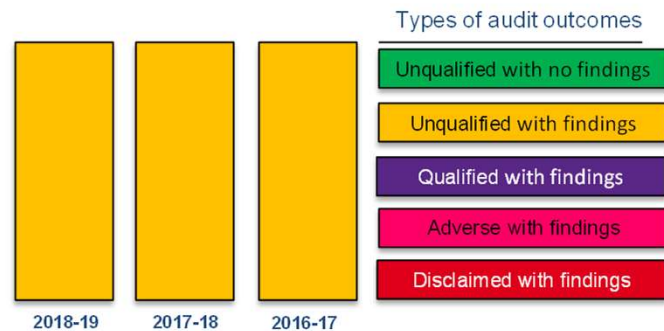
Recommendations on the way forward

- Implement preventative and detective controls within the control environment for financial and performance management.
- Oversight bodies should continuously monitor the control environment of the municipality and ensure that adequate risk assessments are performed and the necessary risks are mitigated by leadership.
- Perform investigations and determine if anyone is liable for the UIFW incurred.



Sarah Baartman

Stagnation in audit outcomes



Assurance levels



1

To improve/maintain the **audit outcomes** ...

2

... the key role players need to **assure** that ...

5

... the **root causes** are addressed ...

4

... the **risk areas** and ...

3

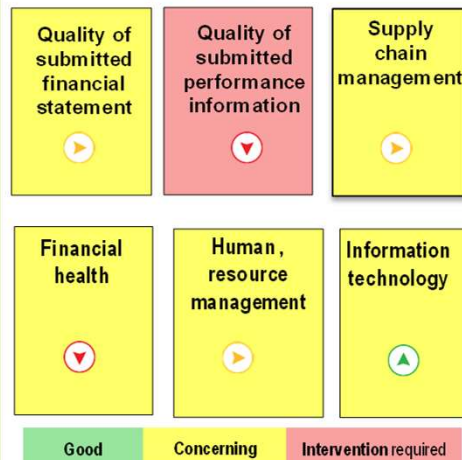
... attention is given to the **key controls** and ...

... the **best practices** are maintained.

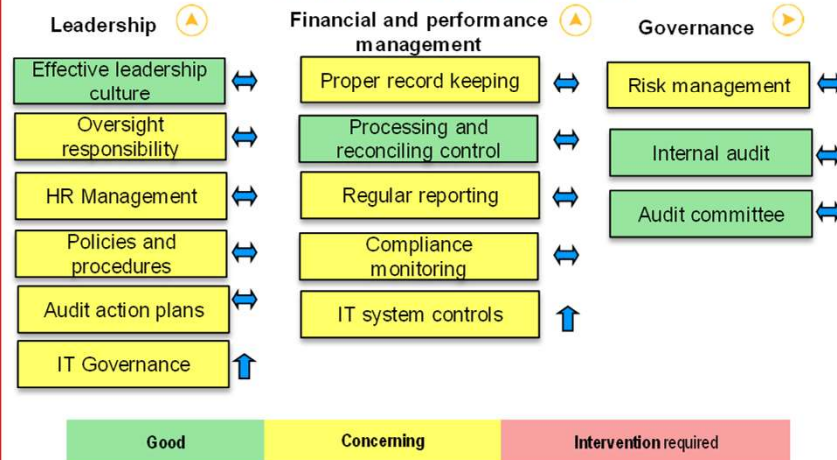
Root causes should be addressed

- Oversight over IT and PDO not effective
- Lack of implementation of IA recommendation
- Inadequate compliance monitoring process and review of AFS

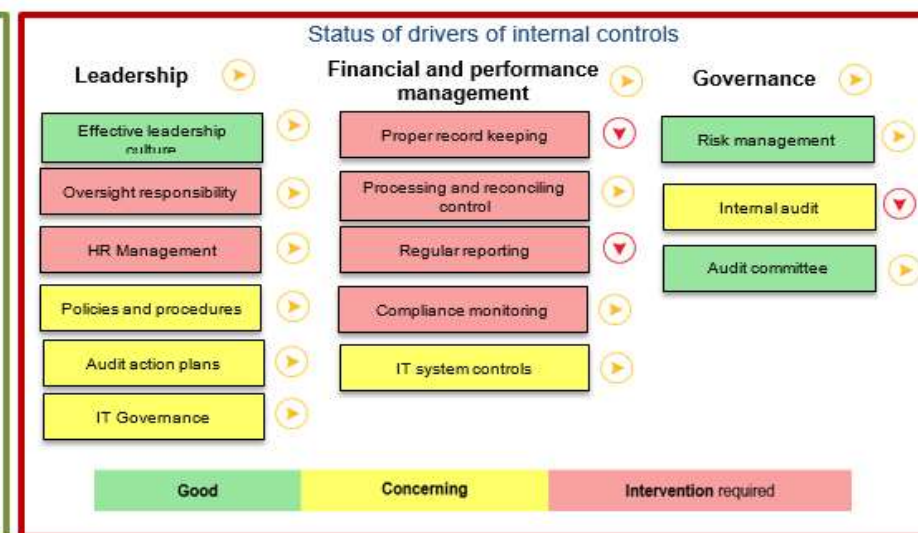
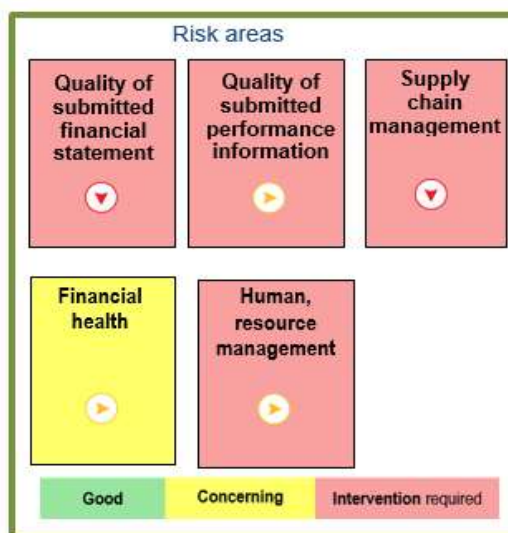
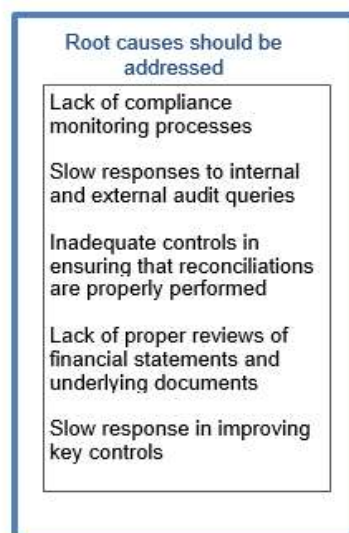
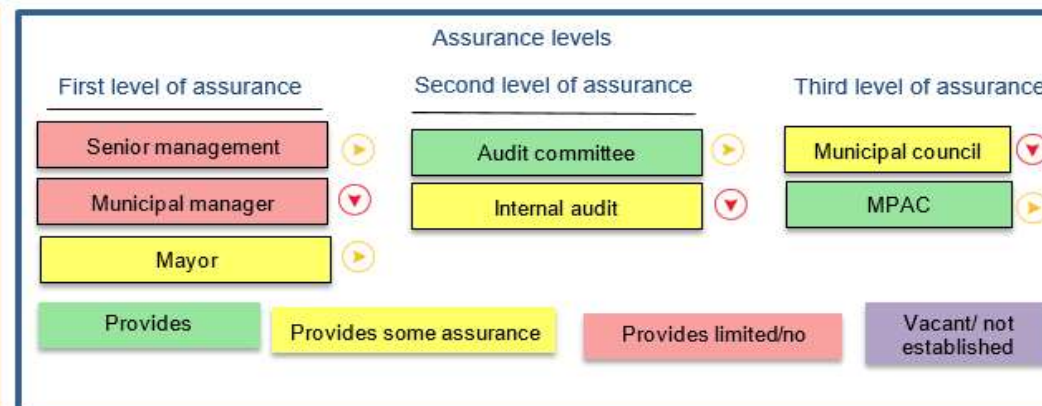
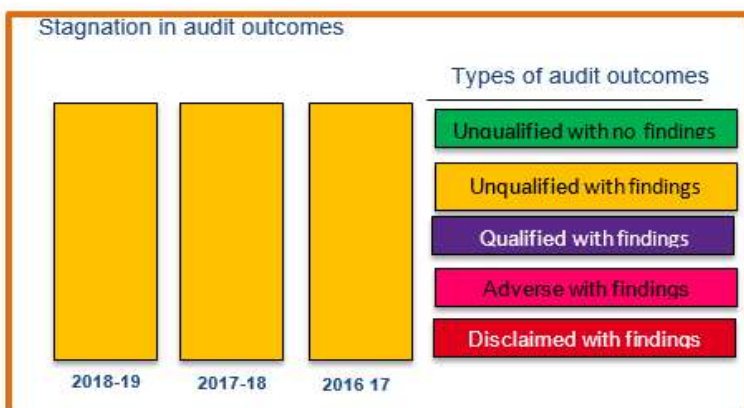
Risk areas



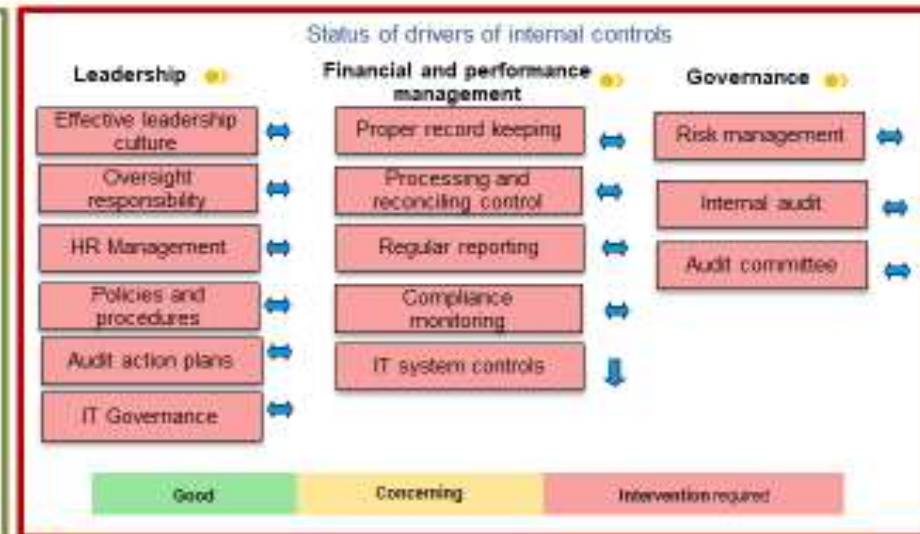
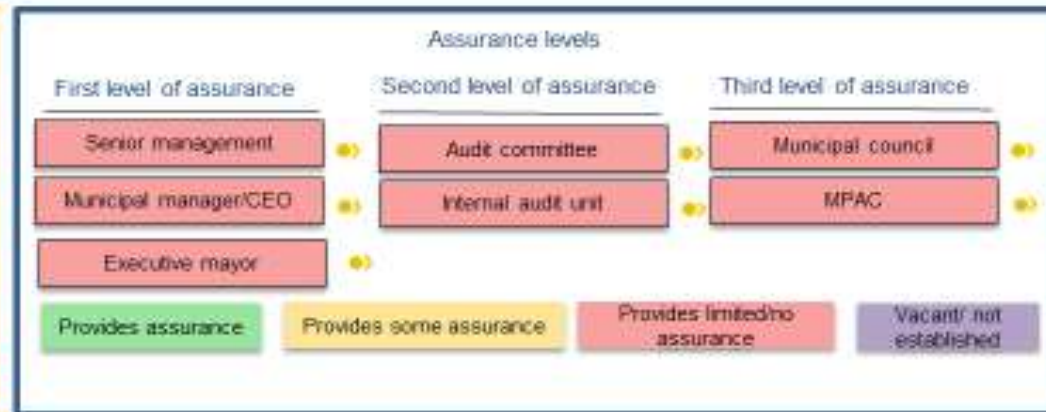
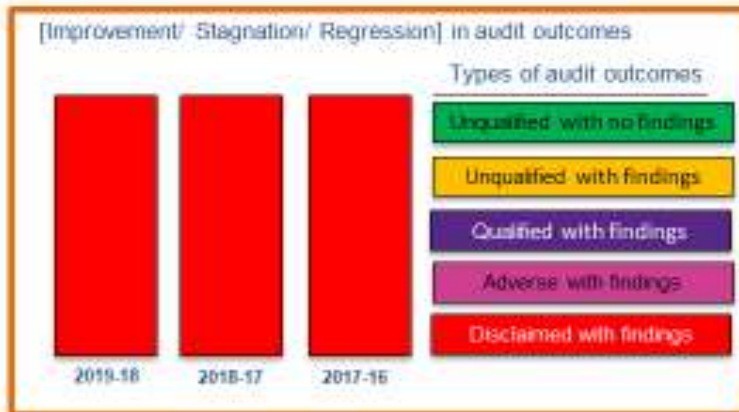
Status of drivers of internal controls



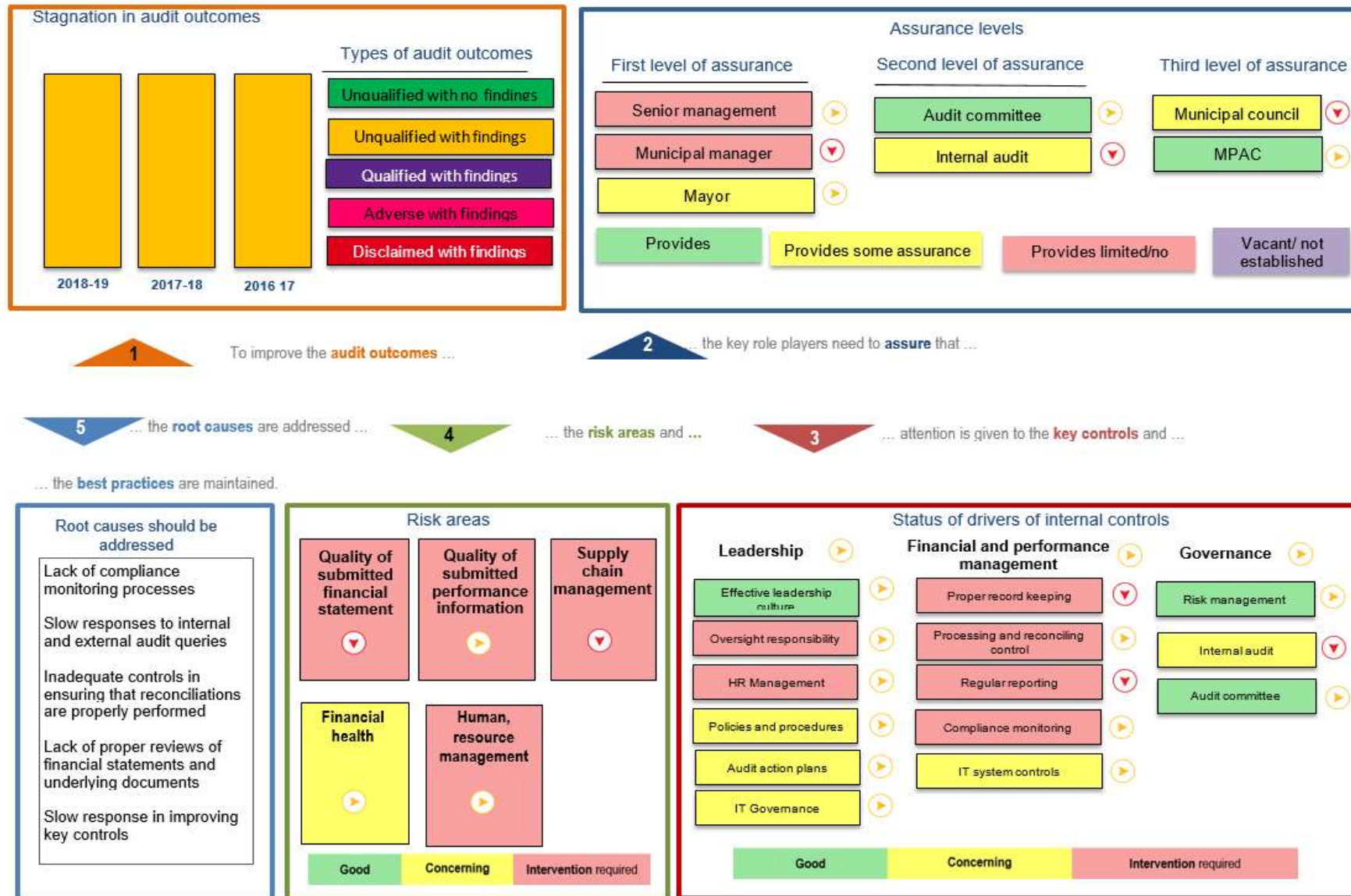
Blue Crane Route



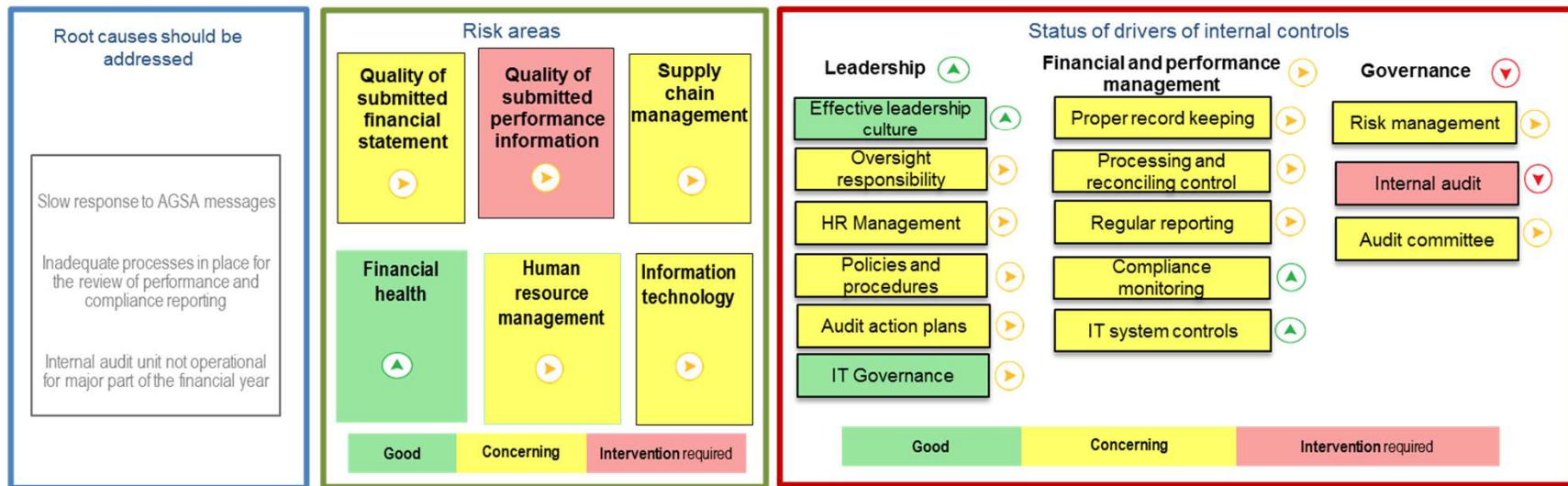
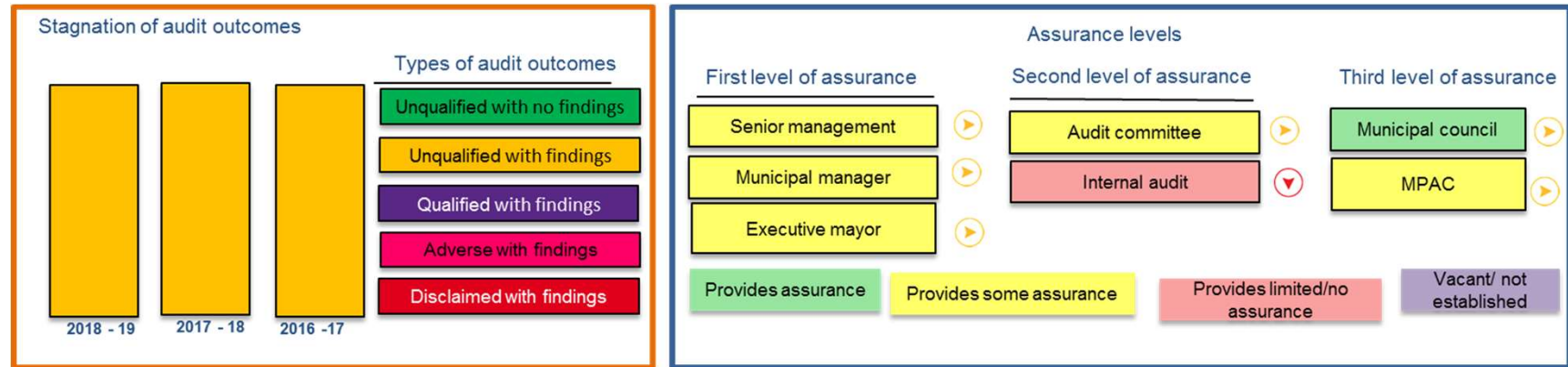
Dr Beyers Naudé



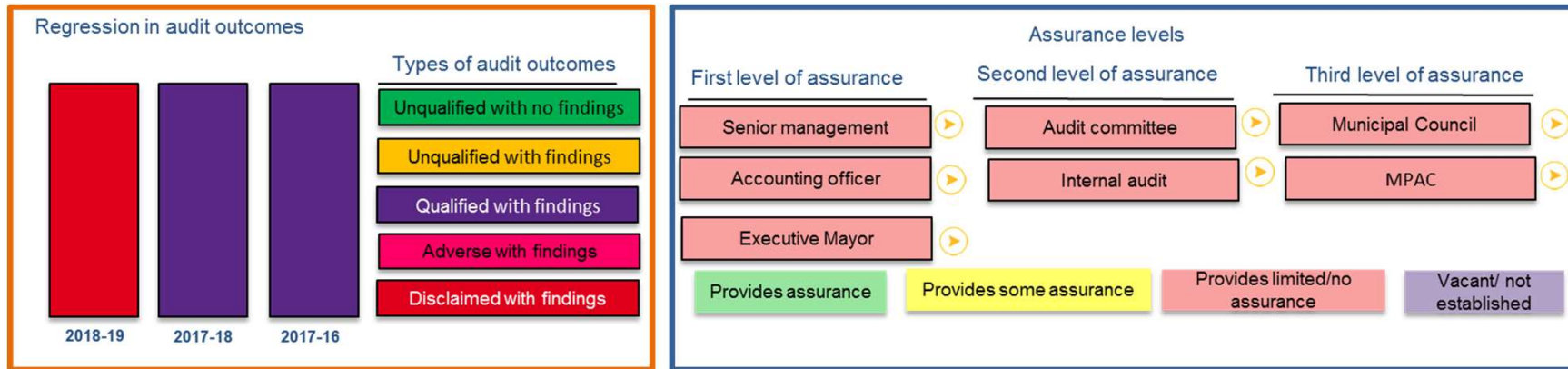
Kou Kamma



Kouga



Makana



1 To improve/maintain the **audit outcomes** ...

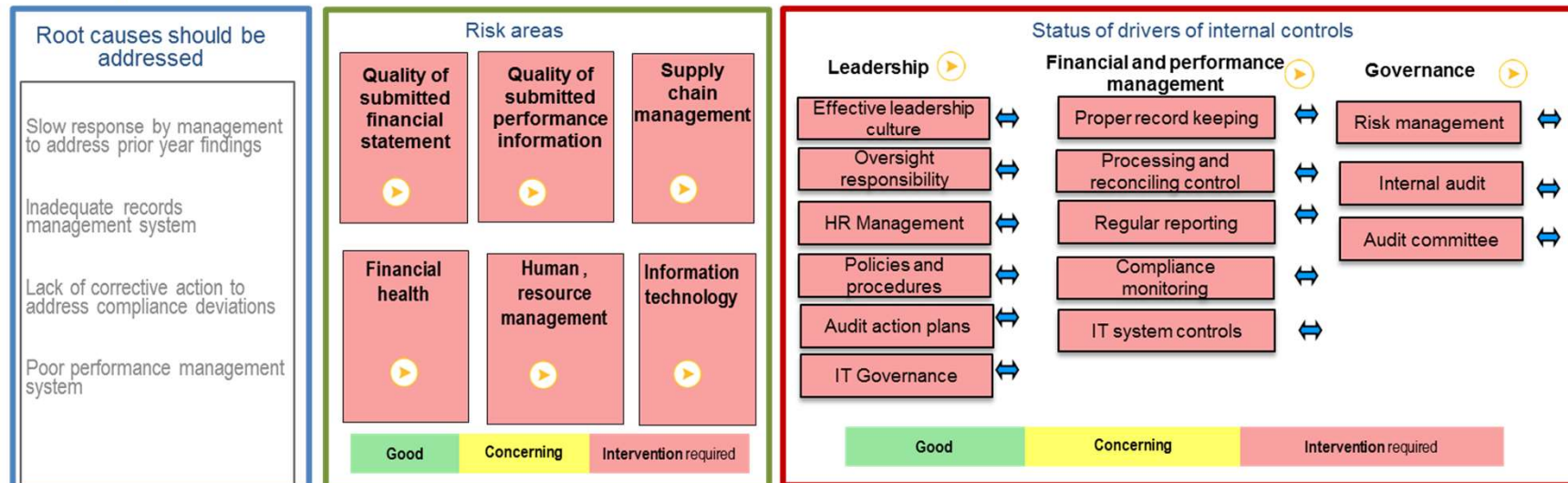
2 ... the key role players need to **assure** that ...

5 ... the **root causes** are addressed ...

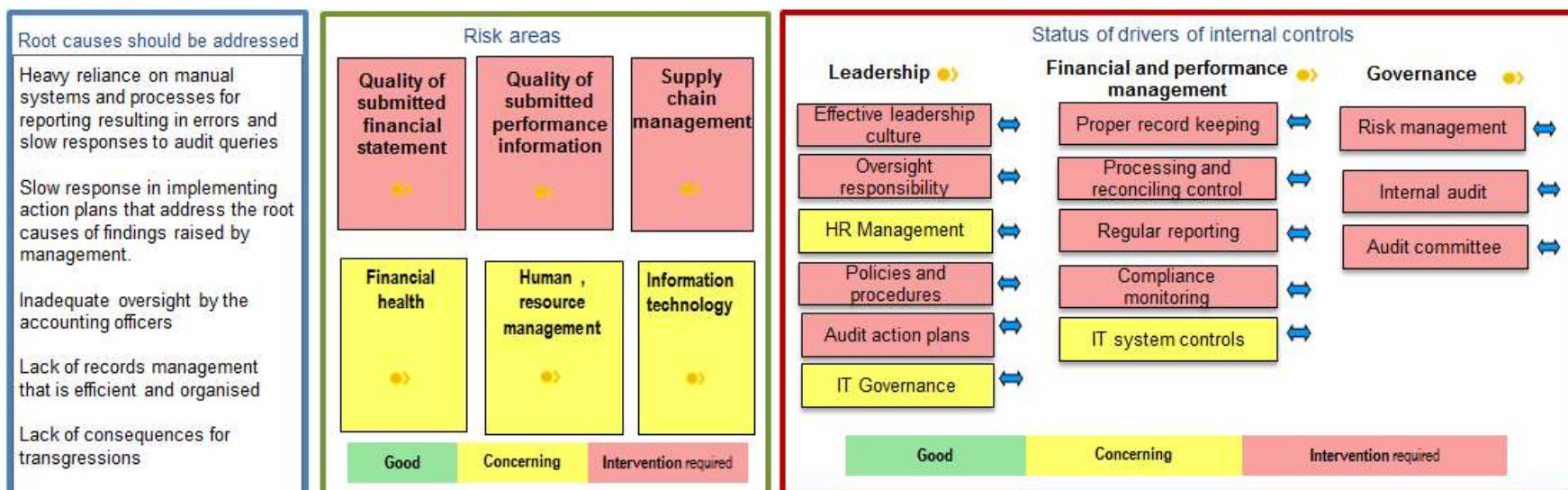
4 ... the **risk areas** and ...

3 ... attention is given to the **key controls** and ...

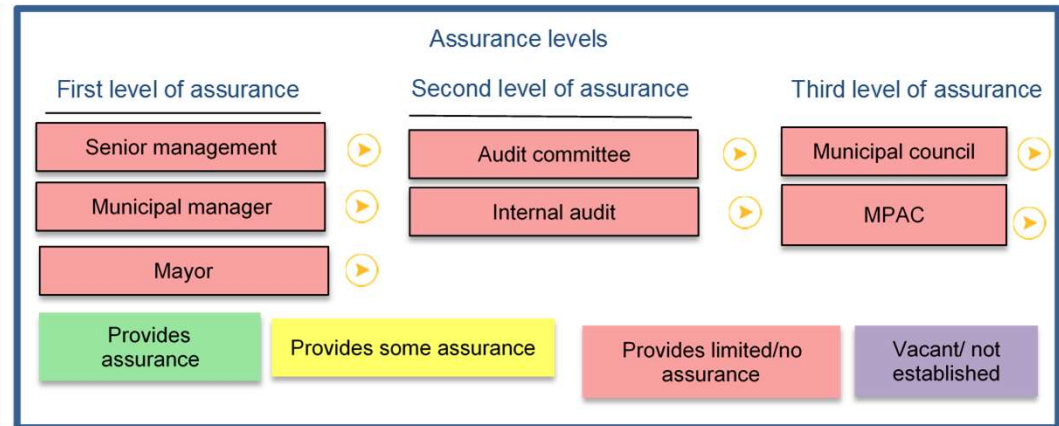
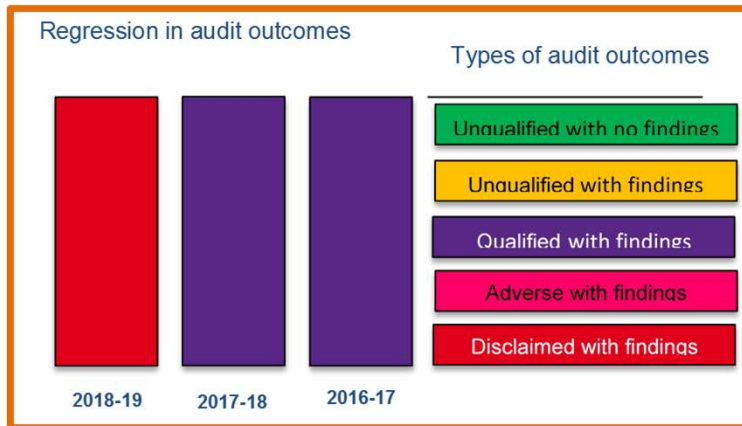
... the **best practices** are maintained.



Ndlambe



Sundays River Valley



1

To improve/maintain the **audit outcomes** ...

2

... the key role players need to **assure** that ...

5

... the **root causes** are addressed ...

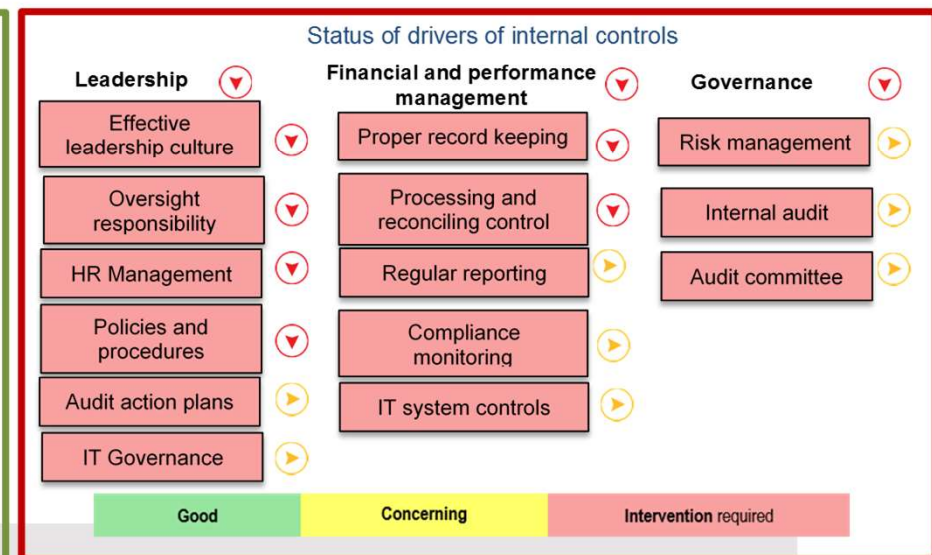
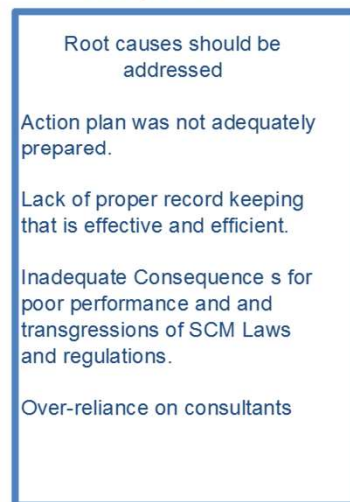
4

... the **risk areas** and ...

3

... attention is given to the **key controls** and ...

... the **best practices** are maintained.



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