



**MFMA
2021-22**

AUDIT OUTCOMES CITY OF TSHWANE

**Audit outcomes for financial year
ended 31 June 2022**



**AUDITOR-GENERAL
SOUTH AFRICA**

MISSION



The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, 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.



Key messages

5 year outlook:

- The metro's **audit outcomes** was stagnant over the past four years, with the metro **regressing** from unqualified with findings opinion in the prior year to an adverse opinion in the current year.
- Regression due to worsening control environment as a result of not addressing IA and AGSA findings and implementing recommendations

Overall messages from 2022:

- Inadequate monitoring and enforcing **implementation of action plan** to improve the **internal control environment. Ineffective and untimely oversight by all oversight structures**, that is exasperated by **lack of cooperation by management**
- Poor control environment, inadequate monitoring and review thereof to confirm its adequacy to ensure **reliable financial and performance reporting, appropriate records management** as well as ensuring **compliance with legislation**
- **Lack of competence and adequate skills** to discharge MFMA responsibilities and service delivery

Service delivery:

- Lived realities of citizens of Tshwane regressing due to poor service delivery
- **Poor performance in relation to service delivery due to** inappropriate asset management leading to worsening and ailing infrastructure
- Unstructured implementation of C88, more tick box exercise than prioritizing service deliver.

Consequence management:

- Leadership did not set the tone on **accountability and consequence management**. Backlog on investigations and increasing UIFW
- **Accountability structures not effective**, IA instabilities and lack of timely and effective monitoring (APC, MAYCO, MPAC)
- Poor performance and transgressions not addressed at all

Financial Health:

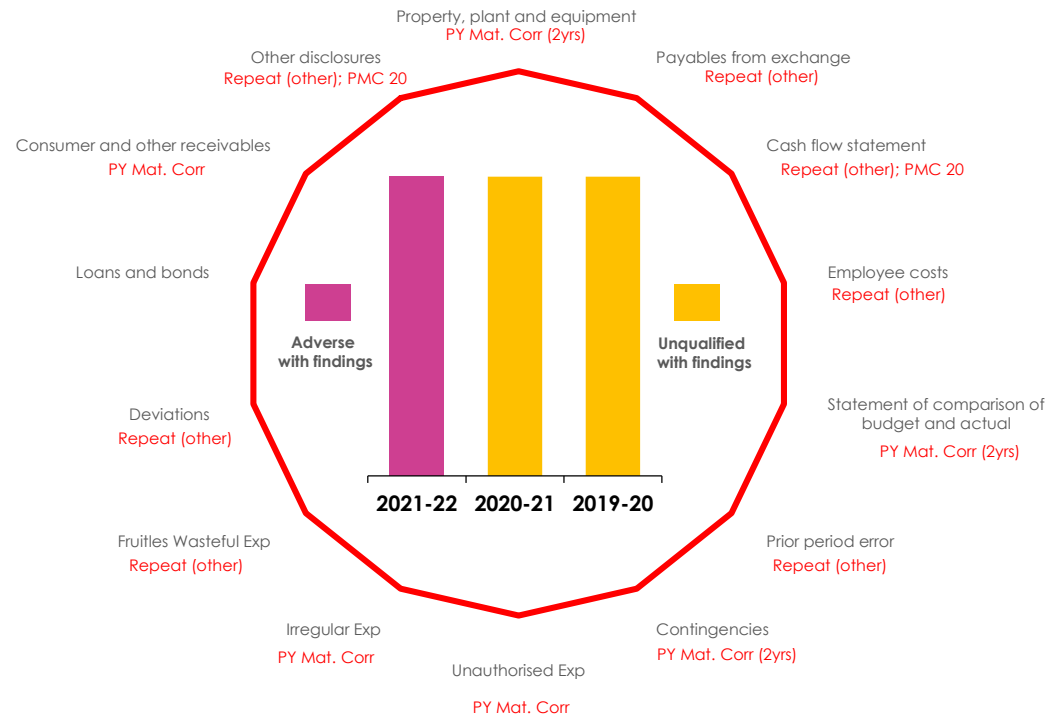
- **Poor state of financial health** due to ineffective financial recovery plan, poor collection of debt and management of liabilities
- Revenue collection worsening as impairment of debt increases. Collection initiatives not yielding adequate results.
- Liabilities not well managed, mostly due to weak accounting processes thus negatively impacting liquidity and effectiveness of recovery plan



Financial Statements

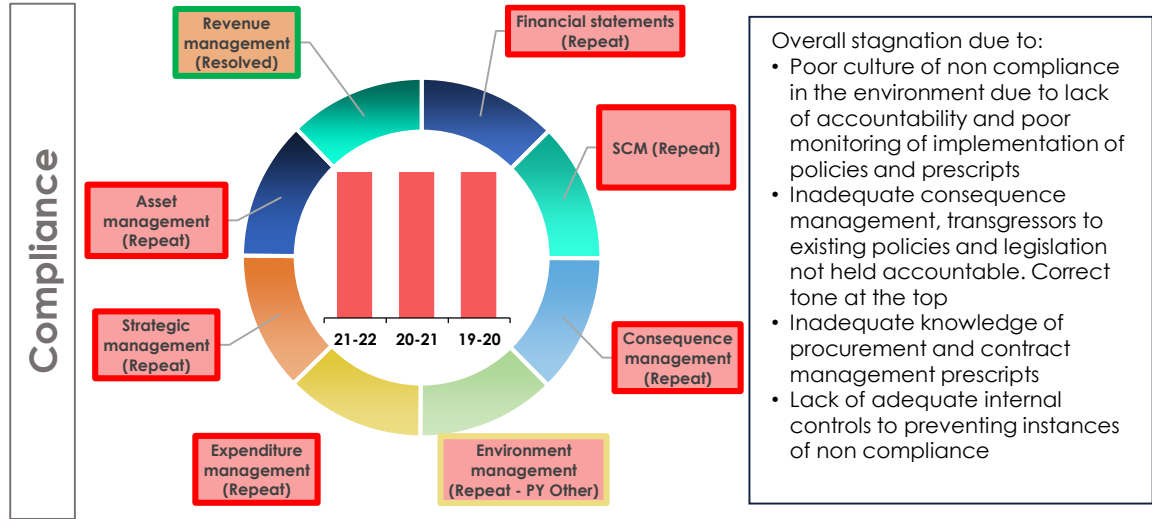
Opinion: Adverse

Qualification areas

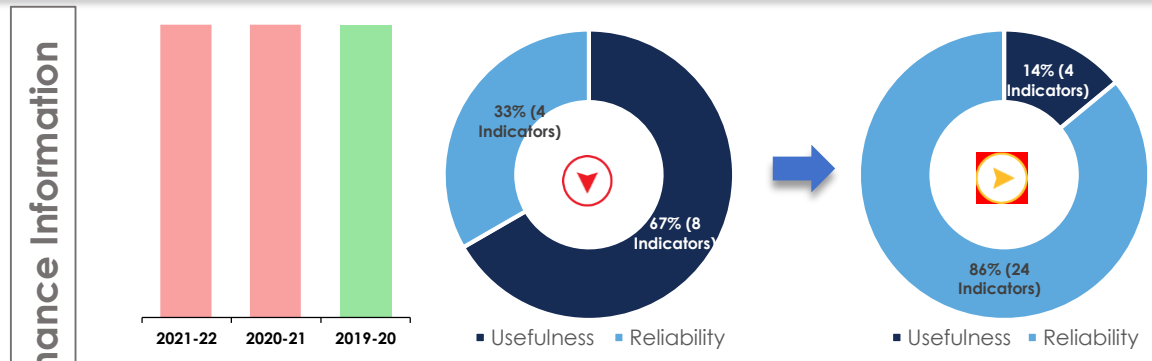


Audit outcomes regressed with a total of 18 qualification areas (FS: 6; FP: 1; DS: 9; ST: 2). Of the areas qualified, 6 areas had material errors in the PY which were corrected as a result of audit adjustments granted. The auditee relied on the audit process to produce credible financial statements.

In addition, the remaining areas also had findings raised in the MR though not material. Over the past 3 years COT would not have produced credible AFS in the absence of corrections granted. In addition, majority of the items qualified have been raised in the past, thus the outcome is testament to a worsening internal control environment and inadequate action plans put in place to address PYs findings raised.



- Overall stagnation due to:
- Poor culture of non compliance in the environment due to lack of accountability and poor monitoring of implementation of policies and prescripts
 - Inadequate consequence management, transgressors to existing policies and legislation not held accountable. Correct tone at the top
 - Inadequate knowledge of procurement and contract management prescripts
 - Lack of adequate internal controls to preventing instances of non compliance



Overall stagnation, however more indicators had issues compared to the PY (Increase in scope). Poor outcome due poor implementation of Circular 88 and no action put in place to address PY weakness in performance management internal controls. Weakness included poor recording (No and erroneous listings) and inadequate quality assurance processes. Indicators not well defined (SMART) with expected performance not clearly linked to service delivery



3. CoT 2021/22 APPROVED BUDGET ALLOCATION AND SPENDING

A. Total final budget allocation 
R42,82 billion



B. Opex and Capex

R39.57 billion + **R3.25 billion**

C. Actual % spend

Total: R43,1 billion (101% of budget)
 Capex: R2,56 billion (79% of budget)
 Opex: R40,6 billion (103,99% of budget)



- Strategic Pillar 1
- Strategic Pillar 2
- Strategic Pillar 3
- Strategic Pillar 4
- Strategic Pillar 5

D. Capex Allocation per Key basic services 79% spend

No.	Key Strategic Departments	Budget
1	Human Settlements	R595 062 915
2	Water and Sanitation	R689 900 216
3	Roads and Storm Water	R274 163 457
4	Energy & Electricity	R405 623 878
5	Other	R1 289 445 369
	Total	R3 254 195 835

E. Opex Allocation 104% spend

No.	Allocation	Budget
1	Employee related costs	R11 874 969 243
2	Bulk purchases	R11 160 809 113
3	General expenses	R1 983 379 524
4	Contracted services	R 4 251 986 958
5	Transfer and grants	R36 057 939
6	Other	R10 264 932 572
	Total	R39 572 135 349



4. KEY SERVICE DELIVERY INDICATORS

1 Water and Sanitation



Total indicators in Pillar 3 19 indicators

Some key indicators

- Number of inland water samples tested for monitoring purposes
- Percentage of complaints/callouts responded to within 24 hours (sanitation/waste water)
- Kilometres of required municipal storm water drainage network constructed
- Number of informal settlements with access to rudimentary water services
- Infrastructure leakage index
- Number of new sewer connections meeting minimum standards
- Percentage of wastewater samples compliant to water use license conditions

2 Energy



Total indicators in Pillar 3 7 indicators

Some key indicators

- Percentage of planned maintenance performed on HV Network MV and LV Network
- Percentage of total residential electricity provision allocated as Free Basic Electricity (FBE)

3 Roads



Total indicators in Pillar 3 4 indicators

Some key indicators

- Kilometres of roads constructed to the required standard -transport
- Kilometers of roads constructed to the required standard-human settlements

Overall achievements:

Service delivery indicators (C88) have been included in the IDP and SDBIP, however some of the recurring community concerns identified from public participation were not included in SDBIP. The City has reported an overall achievement of 60% on implementation Performance indicators.

City of Tshwane implemented 37 Circular 88 Indicators under Strategic Pillar 3 for the 2021/22 financial year.

A number of key service delivery targets not achieved with only 45% (17/38) of targets achieved for the programme relating to basic service.


Non achievement mostly attributable to asset management (i.e. aging infrastructure not maintained, delayed projects), SCM and liquidity issues.

Impact on lived realities

Some of the indicators included in the not achieved indicators are the following:

- Percentage of complaints/callouts responded to within 24 hours (sanitation/waste water)
- Percentage of wastewater treatment capacity unused)
- Infrastructure leakage index (C88)
- Kilometres of roads and storm water constructed to the required standard)
- Percentage of wastewater samples compliant to water use license conditions) *(Also linked to MI issued – Substantial Harm to the General Public – Residents of Hammanskraal)*

The maintenance work conducted at Rooiwal contributes to capacity issues, which led to an MI with an impact of harm to general public communicated to the city in the prior **year**



Key projects

No controls to monitor usage of chemical toilets by residents

Bulk infrastructure not provided for some housing units

Poor quality effluent discharged into some water sources

Projects visited



Chemical Toilets

- No controls were in place to monitor usage by residents, as there were some toilets which were locked by some residents, thus preventing others from using the toilets.

Fortwest Ext 4 – Construction of 300 housing units

- Housing units were practically complete and ready for occupation however, as there was no bulk infrastructure, the houses could not be handed over and were illegally occupied.
- Other concerns were also noted, such as time delays and price variations.



Waste Water Treatment Works (WWTW)

- The quality of effluent discharged into the water sources by the WWTW's was well below the levels set out by the National Water Act and environmental laws.
- Significant failure to safeguard and maintain the WWTW's to enable them to operate effectively. Numerous key infrastructure was found to be non-operational and in need of maintenance or replacement.
- Non compliance with section 63(1)(a) of the MFMA
- Substantial harm MI issued

Green Drop Results ↓

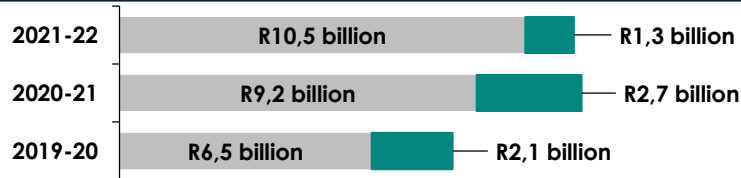
SDBIP/APR Reflections (extract)

- A number of key service delivery targets not achieved with only 45% (17/38) of targets achieved for the programme relating to basic service.
- Non achievement mostly attributable to asset management (i.e. aging infrastructure not maintained, delayed projects), SCM and liquidity issues.

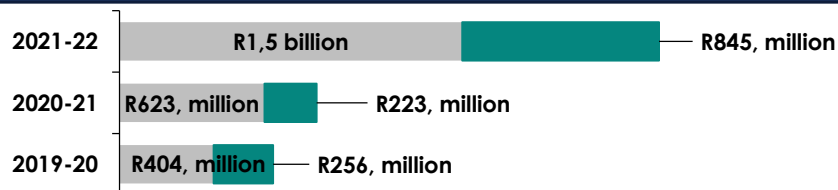
KPI	Target	Achievement
Number of new sewer connections meeting minimum standards (C88)	1000	412
Percentage of complaints/callouts responded to within 24 hours (sanitation/waste water) (C88)	70%	67,30%
Percentage of wastewater treatment capacity unused	0,30%	17% %
Infrastructure leakage index (C88)	6,3	6,48
Kilometres of roads and storm water constructed to the required standard	31,94km	22.883km
Percentage of wastewater samples compliant to water use license conditions <i>(Also linked to MI issued – Substantial Harm to the General Public – Residents of Hammanskraal)</i>	60%	37,7%



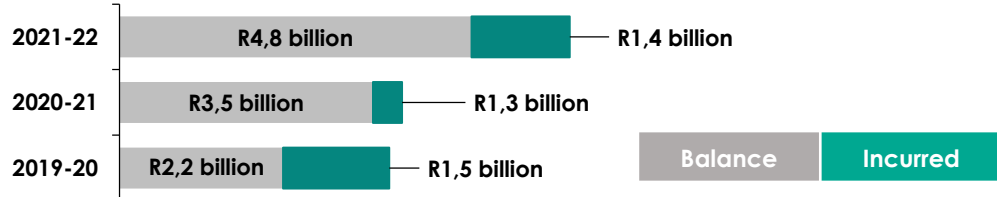
Irregular expenditure



Fruitless and wasteful expenditure



Unauthorised expenditure



Irregular expenditure

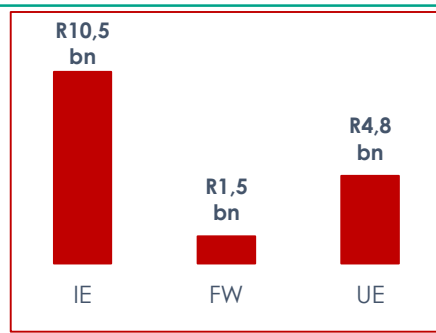
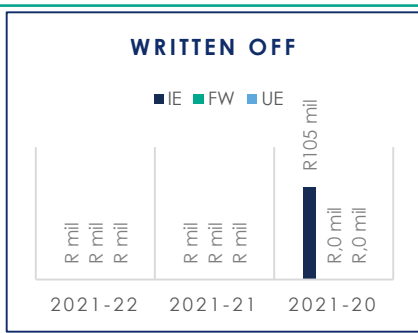
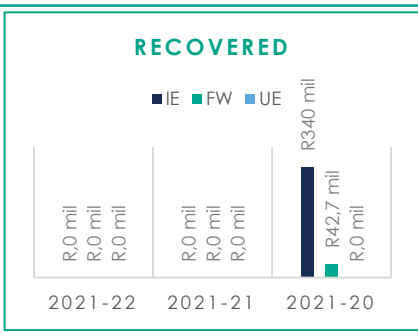
- Irregular expenditure decreased in the current year compared to the prior year, R1.2 billion (2020/21: R2.7 billion), this decrease is not indicative of strengthened controls around non-compliance with laws and regulations as other instances of non-compliance were identified during the audit. These identified instances resulted in the irregular expenditure disclosure note being materially misstated. The municipality should address these non-compliance instances through training and upskilling of officials within the procurement and contract management value chain, to ensure compliance with SCM prescripts, especially in the user departments and SCM committees.
- The culture of non-compliance is enabled by inadequate consequence management and instabilities within the city. The SCM non-compliance matters that the City is exposed to are basic.
- Biggest contributors to IE balance over the years have been deviations awarded and unfairness in the bidding process. More than 50% of irregular expenditure incurred in the current year relates to multi-year contracts where non-compliance were identified in the prior-years.

Fruitless and wasteful expenditure

- FW incurred significantly increased in CY compared to PY R845m (2021: R221m), the incurrence of FW was mostly due to the interest paid to Eskom (R33m) and Rand water on overdue accounts (R1,2m), VAT penalties (R809m). This negatively impact the lived realities of citizens as these could have been used for service delivery to benefited the public.
- In addition, not all FW expenditure were recorded in the financial statements. This resulted in amounts disclosed being materially misstated

Unauthorised expenditure

- UE significantly increased in CY compared to PY R1,4bn (2021: R1,2m), The unauthorized expenditure was mainly arose due to the overspending on non-cash items such as debt impairment, depreciation and provisions
- In addition, errors were identified in the UE recorded in the financial statements. This resulted in amounts disclosed being materially misstated



Consequence management

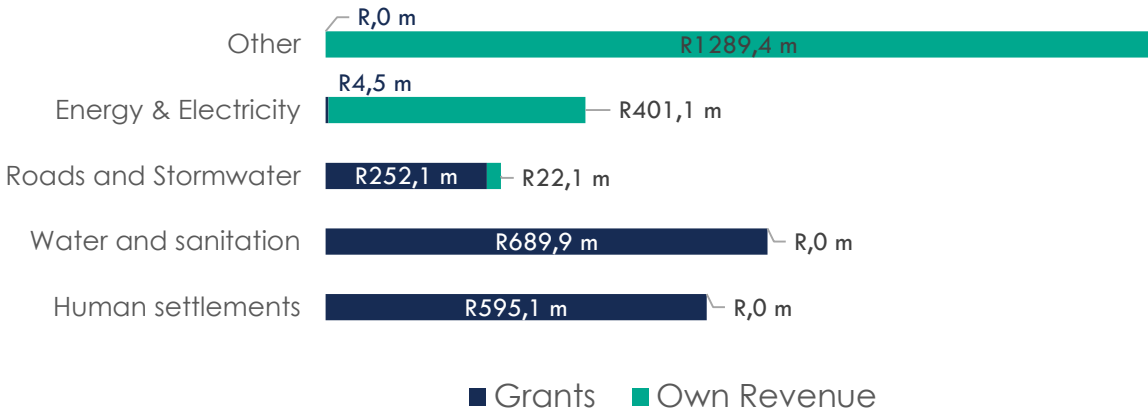
In the PY 1480 investigations were still in progress which has not decreased since PY. The backlog of UIFWE investigations is due to high vacancies within the Group Audit and Risk unit and budget constraints therefore no disciplinary action has been instituted by the city. As a result most UIFWE has not been considered for write-offs and/or condonement. Majority of the IE related to senior officials. MPAC and Council not effective in dealing with transgressions mostly due to instabilities as members are new. This was further exasperated by instabilities in the leadership with city being also placed under administration and acting AO roles

■ Money recovered/in process of recovery
■ Written off
■ Not dealt with



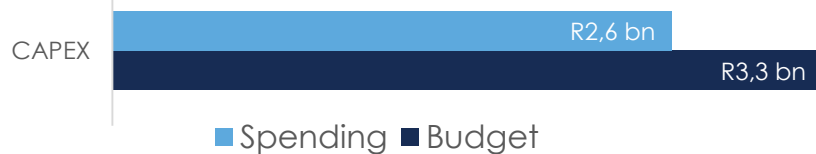
6. FINANCIAL HEALTH ANALYSIS - CAPEX

Funding model (R' mil)



	Loans & Bonds (R mil)	Grants (R mil)	Own Revenue (R mil)	Total capex (R mil)
CoT	-	1 541 544	1 712 650	3 254 195

Budget vs Actual Spending



Repairs and Maintenance as a % of Property, Plant and Equipment

Repairs and maintenance	R1,111,337,846
Plant, plant and equipment (carrying amount)	R53 067 225 045
Repairs and maintenance as a % of PPE	2%

Funding model

- The funding model is usually through Loans and bonds, grants and own revenue. However in the current year, the city was not able to fund any capex through borrowings due to inability to acquire more loans and bonds.
- The City's non investment grade rating attributable to increased risk of meeting loan repayment terms, negative outlook on operating performance and liquidity of the city, though its hasn't been further downgraded, remains a concern according to Moody's. This may be a contributing factor to the city not having to issue more bonds or acquire loans to inject more funds to the city.
- Though there are measures in place, the City is still struggling with debt collection and provision for doubtful debt is still high. Furthermore, the following issues were noted: Significant debt write-offs, low revenue collection, high accruals, Possibility of breach of debt covenants this will cause the loans and bonds to fall due within the short terms and will further exacerbate the ability to obtain credit. The City owes Eskom and SARS R1.6 billion and R809 million respectively.

Revenue collection initiatives

- Intensifying of disconnection of services to Business, Government and Residential customers not honoring their payments; Courtesy calls, reminders and demand letter on current account; Enforce installation of prepaid meters on indebted consumers and implementing debit orders/stop orders when negotiating arrangement plans

Capex Underspensing (79%)

- Some contractors were terminated after abandoning the site.
- Delays in approval of designs, procurement report, and finalization of the land and valuation affected in purchasing of landfill site

Repairs and maintenance

- The City only spent only 2% on repairs and maintenance of property, plant and equipment. This is contrary to the acceptable norm of 8%.
- Aging infrastructure resulting in poor service delivery and increase water and electricity losses. Low spending due to liquidity issues. Maintenance not adhered to and some unit not implemented
- Spending on repairs and maintenance was 42% of CAPEX spending

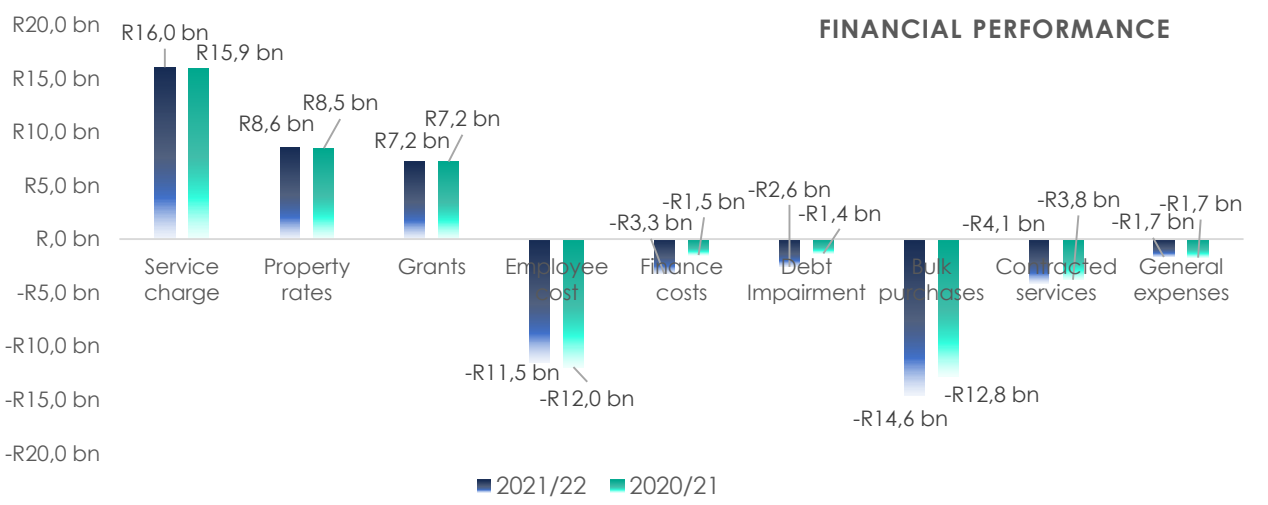
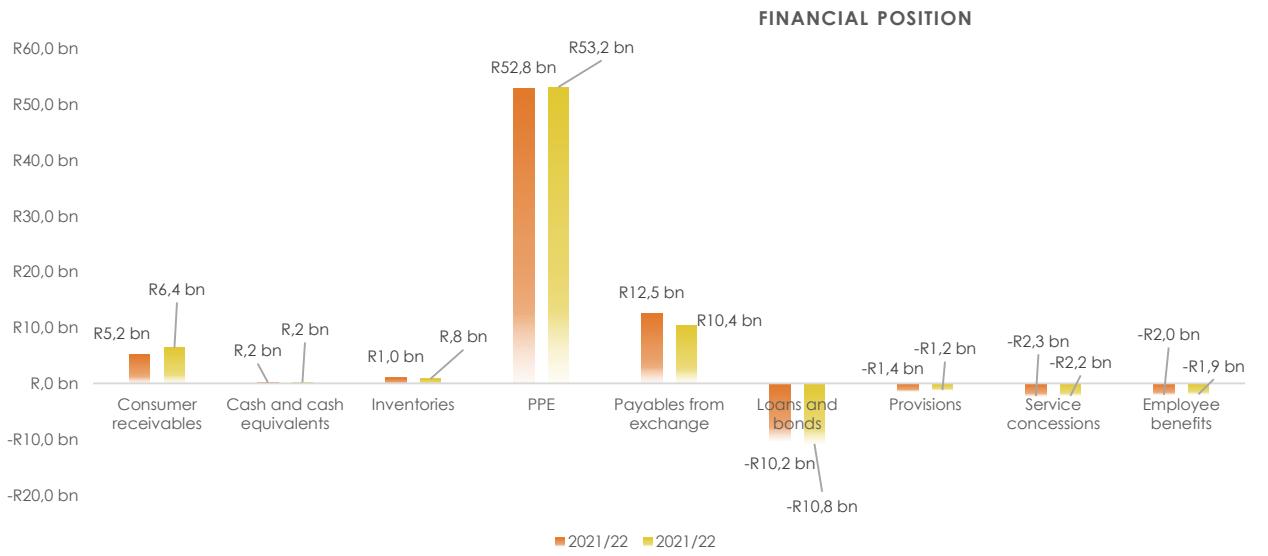


6. FINANCIAL HEALTH ANALYSIS - OVERVIEW

Financial statement snapshot:	2021/22	2020/21
Net loss	-2 229 635 681	610 361 782
Net Asset:	36 585 718 688	38 553 874 259
Net current liability	-6 663 990 039	-4 415 393 286

Ratios	2021/22	2021/22	Comments
Current ratio:	0,56	0,68	Current ratio below 1. Decrease in ratio mostly due to increase in payables from exchange and decrease in consumer receivables.
Average Collection:	56,70	74,90	Decrease in collection period mostly due to impairment of debtors. Municipality collected receipts of R29,9bn (2021: R27,6bn)
Creditor payment	223,39	206,77	Increase to cash constraints
Net current liability	-6 663 990 039	-4 415 393 286	

- The overall financial health of the municipality continued to regress in the current year with worsening solvency and liquidity ratios evidenced by creditor's days being higher than its debt collection days; and decreasing net asset and current ratios.
- The municipality's credit rating is still of a concern according to Moody's, with no changes seen on the rating compared to the prior year.
- The municipality has an approved financial recovery plan. Though this plan is in place, no significant strides have been realised taking into account the continued viability issues experienced by the municipality. In addition, significant delays have been noted on key projects due to lack of funding. Also the deficiencies in financial management processes, such as in relation to completeness of liabilities contributes to its ineffectiveness as its not be aligned with the required needs or liability level.
- The sinking funds balance at year-end amounted to R 242 million (2021: R453 million). The fund appears to not be sufficient, compared to the loans and bonds of R10.8 billion. When loans and bonds are due for settlement in future, sufficient funds may not be have been accumulated in the fund to cover the loan redemption. Management should then review the redemption fund asset to assess whether it still adequate to manage the risk of defaulting of the loans and bonds. Consider implementing a more rigorous financial recovery strategy aimed at addressing the risk of defaulting on loans and bonds.
- The municipality continues to struggle with revenue collection from their consumers as reflected by the increase in debt-impairment provision. Though there are revenue collection initiatives that were in place, the implementation of these initiatives is not effective.
- The municipality's inability to manage financial health may ultimately negatively affect service delivery.
- COGTA and NT oversight was inadequate and ineffective but mostly attributable to lack of cooperation by management to implement action plans and was due to financial info and updates presented not being credible resulting in inappropriate decisions and oversight



General IT reflections

The City has developed a sound information technology (IT) system in terms of governance and security of information which is imperative for a sound reporting structure

However, the status of IT environment remains a concern as a result of issues in **IT governance controls**, including:

- **Weak** user access management, IT service continuity, security management
- **Deficiencies** in security policies regarding physical access controls
- Disaster recovery not done for a number of systems

IT service continuity, Physical and Environmental controls, user access management and security management were not effectively designed/implemented

IT contracts for IT projects not adequately managed

Some procured licences not yet fully utilised (Potential MI)

There is a shortage of skills in the ICT function resulting in vulnerability in the IT environment.

IT MIs

1. Software licenses MI

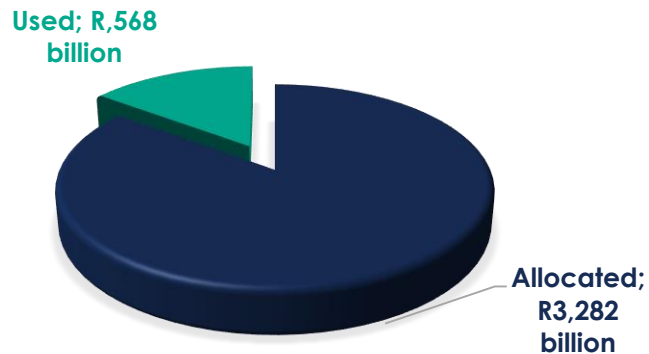
There has not been any significant concerns on IT threatening business continuity and thus affecting service delivery.



Free basic services - Indigent

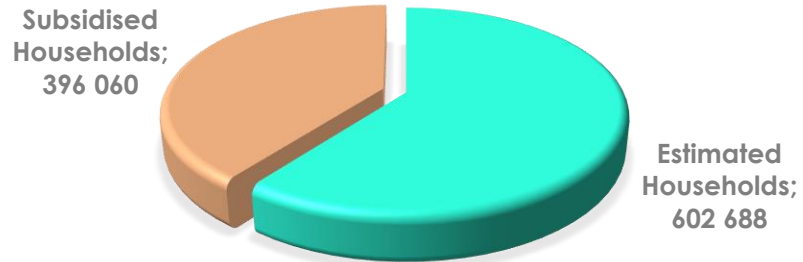
- The National Treasury budgeted for an estimated 602 688 indigents households for 2021/22 and funded the number through R3 282 931 000 equitable share for the municipality. The municipality is funding registered indigents and deemed indigents households (Property value of R150 000).
- The actual indigents rebates according to SAP billing and prepaid electricity report is R568 192 870 for 396 060 households. The total households registered in the indigent database amounts to 65% of the estimated households. The actual spent on indigent households amounts to 16.4% of the allocated equitable share averaging R1 539 per household per annum. The 84% under spending to indigents is concerning taking into account the growing need and poverty plight in the country and city.
- It is also worth noting that the accuracy of the indigents' register of the municipality remains a concern as it still contains a number of beneficiaries that are unduly benefitting, i.e. households having sufficient income, deceased beneficiaries. These issues have been raised in the prior years however; no action has been put in place to address this. .
- To address the gap, the municipality should embark on a more targeted approach /campaign to identify residents eligible to be registered to form part of the indigents programme. The ward councillors will be crucial in driving deeper and more target awareness in this regard in the regions and communities they serve.

INDIGENTS ALLOCATION



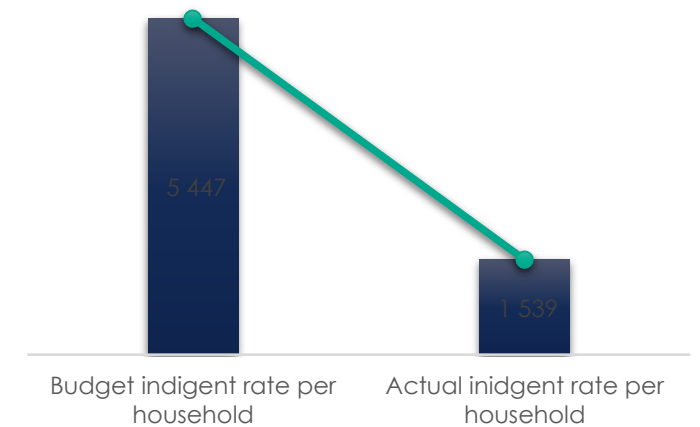
84% underspending of allocated budget. Unused budget is absorbed by the city.

HOUSEHOLDS RECEIVING FREE BASIC SERVICES



65% households subsidised

INDIGENT RATE PER HOUSEHOLD



7. TRANSVERSAL ROOT CAUSES AND RECOMMENDATIONS

Transversal root cause	Key Recommendation
<p>Consequence management:</p> <ul style="list-style-type: none"> Inadequate consequence management, transgressors to existing policies and legislation not held accountable. Poor culture of non compliance in the environment Poor consequence management for transgressions identified by all accountability structures 	<ul style="list-style-type: none"> Senior management to implement a more effective performance management system which promote accountability by all employees, Accounting officer to capacitate IA unit and fill vacancies incl. budgeting such that transgression are investigated and consequence are timely. All accountability structures (AC, IA, MPAC, etc.) within COT must rigorously fastrack addressing the backlog in investigating and dealing with transgressions. More priority to be placed significant contracts and transgressions as these might possibly include significant losses and senior officials who if not investigated or disciplinary action taken, might set the wrong tone on compliance with laws and regulations within the city.
<p>Processes and systems, Records management & Data integrity:</p> <ul style="list-style-type: none"> Weak and neglected internal control environment resulting in financial information that is not credible. Lack of adequate monitoring of effective internal controls by assurance providers. Inadequate records management systems and processes for a decentralized environment 	<p>Senior management:</p> <ul style="list-style-type: none"> to perform a control environment gap analysis and addressing gaps taking into accounts weaknesses that led to qualifications and material findings. Revise or develop, document and communicate/workshop processes implemented. To implement appropriate monthly financial and performance management and compliance disciplines of internal controls (Monthly recording and reconciliations, month end closures and accounts reviews, quarterly reviews). Incl. SAP historical data review, clean up of old balances and suspense accounts. To implement robust financial and performance systems able to produce reliable data and are supported adequately by records/evidence. To revisit quality assurance controls, such as reviews and related checks by line managers, IA, SCM and Strategy unit. Hold assurance providers accountable for weaknesses. Focus on preventative controls. Involve Internal audit to verify effective of internal controls over reliable financial and performance reporting and compliance. To develop a proper records management system with an appointed custodian in each department. With systems/SOP on how records are stored within the municipality and where records will be consistently stored. <ul style="list-style-type: none"> Accounting officer to ensure timely monitoring of the effectiveness of internal controls through IA audits and timely oversight in ensuring that weaknesses identified are addressed
<p>Skills gap:</p> <p>Competence (lacking knowledge of requirements) as well as adequate capacity to discharge financial and reporting management and compliance monitoring role and responsibility</p>	<ul style="list-style-type: none"> Senior management to provide adequate training should be provided to all staff involved in critical functions and areas where significant issues were identified on the basic required. AFS preparation, SCM and financial management processes. These critical units should also be adequately capacitated/resourced.
<p>Ineffective action plan:</p> <p>Inadequately monitored and implemented plan that is effective</p>	<ul style="list-style-type: none"> Accounting officer and senior management to ensure that adequate and realistic action plans are implemented to address identified internal and external audit findings. Action plan must prioritise significant process weaknesses. Accounting officer must also ensure that senior management is held accountable for performance against these plans. Council, Accounting officer, Audit committee and internal audit unit to ensure adequate oversight and monitoring over the implementation of action to ensure audit issues are addressed



8. ACCOUNTABILITY ECOSYSTEM FAILURES - What did not happen

Senior Management	Accounting Officer	Mayor	Internal Audit	Audit Committee	MPAC	Council
<ul style="list-style-type: none">• General financial management disciplines and effective systems of internal controls over reliable reporting and compliance not implemented in COT. In addition, recommendations to weaknesses identified by external and internal audit and audit committee not effected through action plans.• Performance management not effectively implemented to hold officials accountable resulting in a poor/negative culture in the environment. No consequence management.• Lack of appropriate leadership and management toward realising city's objectives• History of poor quality of financial statements. Lack of the adequate and timely preparation and review of financial statements by the CFO.	<ul style="list-style-type: none">• Instabilities in the AO position since 2018-19. The AO has been vacant for a period of 24 months since end of administration. The instability had a ripple effect on the accountability and consequence management within the city.• SCM and fraud related cases increased from 261 - 1480 after administration, None of these were dealt with by ex-AO.• AO did not hold officials accountable poor performance and transgressions, including ensuring that internal control deficiencies identified were timeously resolved and prevented from reoccurring. Action plans developed to implement the internal controls were not monitored effectively by accounting officer.• AO also involved in irregularities, which contributed to the wrong tone at the top	<ul style="list-style-type: none">• The Executive Mayor did not provide adequate oversight to ensure that issues raised in the audit are addressed and over the implement of the recommendations of the Auditor General and MPAC.• Executive Mayor did not provide adequate leadership oversight over consequence management in relation to accountability for UIFW expenditure.	<ul style="list-style-type: none">• Internal audit is under resourced with limited budget and it has a vacancy rate of 57% and as a result some of the forensic audits are outsourced and some could not be performed due to budget constraints.• The internal audit function managed to complete 90% of the planned audits, however outcome is testament to its ineffectiveness and lack of regard for IA process by management.• The quality of the submitted financial statements was poor due to management submitting the financial statement late and not implementing the internal audit recommendations.• Internal audit performed the audit of all quarterly performance reports and raised findings however management did not address internal audit recommendations on time.	<ul style="list-style-type: none">• Audit committee has been in place since 2017, The history of material issues and inability to ensure that controls are strengthened is indicative of the AC's lack of adequate oversight. Especially in ensuring that the action plan is timeously implemented. However, it was also worth noting the blatant disregard of the committee and their recommendations.• MFMA AC advised all stakeholders. There is indication of this being done by AC across all functions, however this advise was not taken seriously.• The audit committee did not recommend financial statements for issuing to AGSA having seen its poor quality.• Ineffective oversight in ensuring that there is accountability and that consequence management takes place in the environment taking into account worse environment.	<ul style="list-style-type: none">• The municipality was under administration up to October 2020. The MPAC is new• MPAC has not adequately performed its duties as the municipality still has a high number of unauthorised, irregular, fruitless and wasteful expenditure not investigated. Slow response.• UIFWE has increased in the current year, investigations have not been initiated, and consequence management not implemented.	<ul style="list-style-type: none">• Lack of adequate oversight by the municipal council to ensure that all cases of unauthorised and irregular are timeously investigated and transgressor held accountable.• The municipality has a backlog of UIFWE investigations as a result, the municipal council did not consider any UIFWE for write-offs and/or condonement.• The MEC of local government did not assess financial statements of the city to ensure audit issues are addressed as financial statements were not submitted for Council review <p>COGTA/ National treasury</p> <ul style="list-style-type: none">• Inadequate support and oversight by coordinating departments in assist the city in effectively implementing the financial recovery plan improve financial viability of the city and implementing effectively the audit action plan to address weaknesses raised in the PY.



9. ACCOUNTABILITY ECOSYSTEM – Why it did not happen

<p>Senior Management</p> <ul style="list-style-type: none"> • Lack of adequate guidance and also awareness by senior management on their role in ensuring effective functioning of internal controls. Internal control mostly viewed as a Finance unit and APC role. • Management does not take the internal and external audit processes and related findings seriously. Management at the city saw themselves above all these processes including also with APC. Findings of the external auditors are not dealt with in such a way that root cause is permanently addressed, rather are dealt with just to avoid the negative audit outcome. • Lack of training (formal or on-the-job) towards staff. • Instabilities at leadership, led to a poor culture and tone at the top due to lack of direction and holding all accountable. • Oversight structures have not been able to hold senior management to account in ensuring that the overall control environment is improved to support the desired audit outcome 	<p>Accounting Officer</p> <p>Vacancy in the position of the city manager may have had an impact on decision making due to instability.</p> <p>Due to the instability in the position of the AO, the position was vacant for 36 months. This created a leadership vacuum and contributed to a lack of accountability and difficulty to implement consequence management</p>	<p>Internal Audit</p> <ul style="list-style-type: none"> • Capacity and resources constraints are an issue but also management is slow not addressing IA findings, action plans do not adequately identify the root causes and there is slow implementation thereof 	<p>Audit Committee</p> <ul style="list-style-type: none"> • APC executed mandate and recommendations and resolutions were relevant to the issues at the city. Lack of cooperation and priority by management on these made oversight ineffective. At times, reports requested on various issues took long to be tabled at APC and in a number instances the CFO did not attend the APC leaving some of the pertinent questions being asked to junior staff who in most times were unable to answer them. In addition, facts were misrepresented. • The APC viewed themselves as advisors rather than an accountability structure and hence lack the level of harshness required to drive improvements and accountability. • IA instabilities also contributed as well 	<p>MPAC</p> <ul style="list-style-type: none"> • The committee is new and inexperienced. There was instability on the functions of MPAC in the previous years when the city was put under administration between (5 March 2020 – Oct 2020), hence the backlog in the investigation of UIFWE and lack of consequence management. <p>Mayor</p> <ul style="list-style-type: none"> • Multiparty government in the council of the City of Tshwane has been unstable, • Mayco requested action plans, progress reports from management and made recommendations however, management did not implement these recommendations. 	<p>Council</p> <ul style="list-style-type: none"> • Council did not take disciplinary processes to hold the accounting officer accountable on spot for non-performance . • Council did not have an approved disciplinary board to deal with non-compliance with laws and regulations amongst the others, hence backlog in dealing with transgressions <p>Treasury and Cogta</p> <ul style="list-style-type: none"> • National Treasury provided some support, however, this was inadequate to influence a turnaround in the City's finances. Lack of credible reporting and implementation by management also contributed. A deployment of a dedicated team to assist the city will make a difference. • COGTA evaluated action plans for the city however, these action plans were not implemented by management • Overall, lack of cooperation by management of the city
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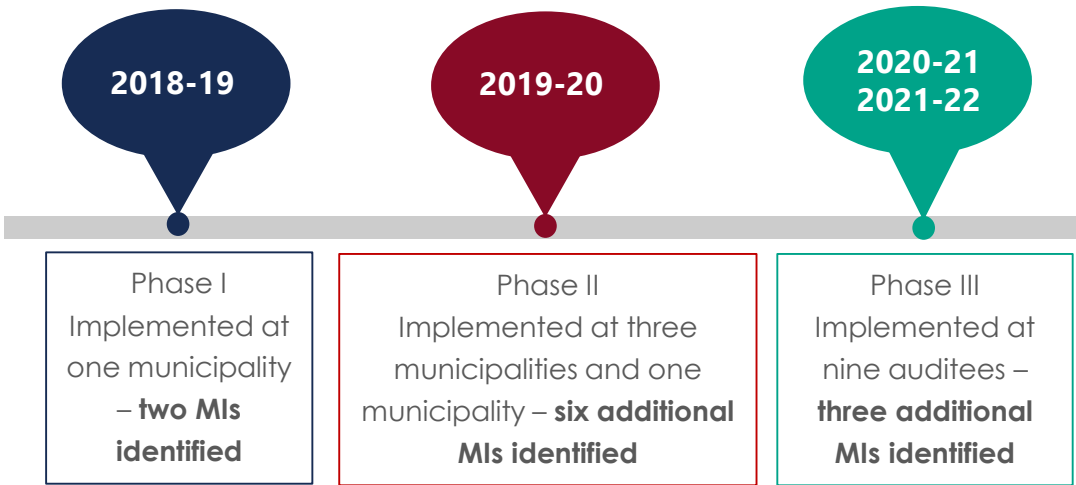
9. MATERIAL IRREGULARITIES

11 MIs unresolved with estimated financial loss of **R454 million and one MI on substantial to the general public**

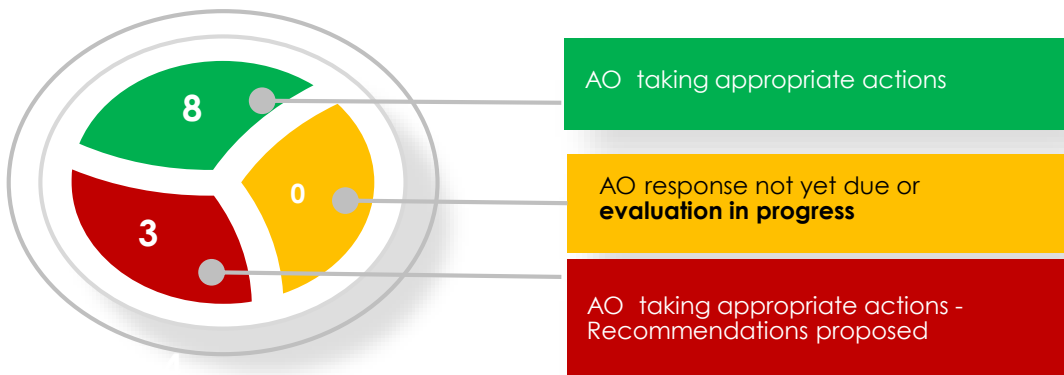


30 June 2022

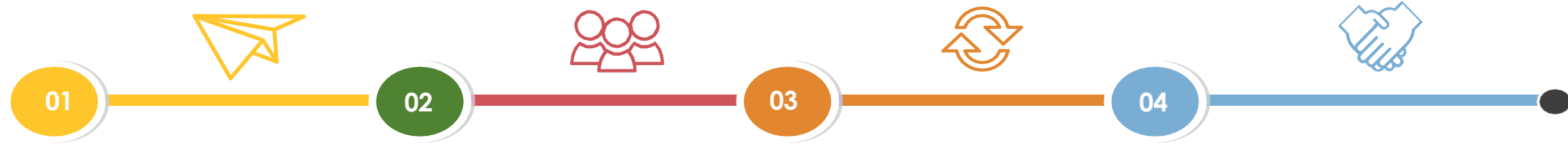
ASSET MANAGEMENT	Safeguarding of assets	3 MIs
FRUITLESS AND WASTEFUL	Payments not made in time or made in vain	5 MIs
REVENUE MANAGEMENT	Interest not billed on outstanding consumer debtors	1 MI
PAYMENTS	Payment to incorrect beneficiary	1 MI
ENVIRONMENT	Pollution of water resources not being prevented resulting in likely substantial harm to the general public.	1 MI



STATUS OF MIs



To improve the control environment the city should ensure that they shift the culture toward ensuring that service delivery is prioritized, needs of the citizens are prioritized, there is value to every rand spent.



The focus should be on **improving the financial and performance management and reporting of the key service delivery departments**, thereby ensuring an improved lived experiences of the citizens.

Adequately monitor and enforce implementation of **action plan to improve the internal control environment**. The plan must adequately address internal controls relating to **records management, reliable reporting** (embed adequate financial management and performance management and reporting disciplines) and **compliance** and also **correction of error in historical information**.

AO to **capacitate staff in critical functions**, especially finance, SCM and IA

Accounting officers should set the right tone at the top to promote an effective monitoring and accountability culture that will ensure **senior management and staff** are held consistently held accountable.

Improve performance management system and related controls which will **enable timely and structure accountability and consequence management for poor performance and transgressions**.

All accountability role players to play their designated roles in the accountability ecosystem by supporting, monitoring and overseeing the much-needed improvement in service delivery impact

The **Executive mayor** to provide oversight on the City's effort to **improve audit outcomes** in a manner that will **improve the lives of citizens** by focusing of the needs of the citizens. The City needs to improve on the collection of own revenue and over treasury management of the city's cash flows which will improve the liquidity in the short ensure that there is adequate **funding for key infrastructure**.

AO and Senior management to table final action plans to MAYCO, OPCA and MPAC and for the **implementation of these to be tracked on a monthly basis**.

The **provincial leadership** to intensify the role of the **coordinating and oversight committees** in strengthening governance and accountability, to bring about change that will impact positively on the lived experiences of the citizens.

The municipal council to- intensify their role on tracking progress on key service delivery projects, investigative of transgression and related consequences.

COGTA and NT to provide adequate support and oversight over the implementation of the financial recovery plan and audit action plan to Improve the poor state of financial health. Adequate budget must be set aside for the maintenance on infrastructure assets key to service delivery.



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