**MEDIA STATEMENT

STANDING COMMITTEE ON AUDITOR-GENERAL WELCOMES 2021/22 LOCAL GOVERNMENT AUDIT OUTCOMES**

**Parliament, Thursday, 1 June 2023 –** The Auditor-General (AG), Ms Tsakani Maluleke, presented the local government audit outcomes for the 2021/22 financial year to the Standing Committee on Auditor-General yesterday. According to the AG, the 2021/22 audit outcomes indicate a deterioration in financial management in local government.

The committee heard that out of 257 municipalities, 38 received a clean audit, 104 have credible financial statements, 78 received a qualified audit, six received adverse findings, 15 have disclaimers and 16 have outstanding audit outcomes due to late submission of financial statements.

There has been no improvement in the type of attention needed to address the deterioration in municipalities’ internal financial controls. This is so even though the AG’s report contains not only the adverse stories, but analyses, recommendations and insights that could be used as a source of information and inspiration to improve municipalities’ financial management systems and internal controls, Ms Maluleke said.

For this to happen, the accountability ecosystem of local government that consists of key stakeholders such as premiers, provincial governments, municipal public accounts committees, and municipal accounting officers and chief financial officers all need to play an active role to institutionalise key control instruments consistently over time. Failure to achieve this will impact negatively service delivery and lead to a trust deficit between citizens and local government.

According to the AG, ineffective financial management and planning continue to be thorny issues with negative impacts on local government audit outcomes. Local government’s poor implementation of its delivery mandate relates directly to poor financial management and planning. The absence of these instruments often leads to an unfunded budget and unauthorised expenditure.

The AG blamed local government’s poor financial and performance management on a lack of the requisite skills, which contributes to poor record keeping, reporting, monitoring and review of financial and audit outcome controls and compliances. This then leads to repeat findings year in and year out.

The lack of skills leads to the blanket commissioning of consultants in many municipalities to undertake their financial management responsibilities; 220 municipalities in the year under review. This trend cost more than R1.6 billion in the 2021/22 financial year, an increase from R1.3 billion in the previous year.

Members of the committee censured the R30 billion in irregular expenditure incurred by local government in this financial year but welcomed the AG’s erudite presentation, which presented not only the problems but also mitigating instruments to arrest the rot.

The Chairperson of the committee, Mr Sakhumzi Somyo, said: “Your story is now our story. What we do with it is entirely up to us. Your report has gone deeper on issues affecting local government financial and performance management.” He continued: “Our legacy is to plough its outcomes and drive collaborations with Treasury, the Department of Cooperative Governance and Traditional Affairs to create a synergy that would improve the local government audit outcomes.”

**ISSUED BY PARLIAMENTARY COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE STANDING COMMITTEE ON AUDITOR GENERAL, MR SAKHUMZI SOMYO.**

For media enquiries or interviews with the Chairperson, please contact the committee’s Media Officer:
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