

AUDIT OUTCOMES 2014/15



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Trends

Preliminary results

Name of Municipality	2014/15	2013/14	2012/13	2011/12	2010/11
Cape Town	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified with findings	Unqualified with findings
George	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified with findings
Nelson Mandela Bay	Qualified	Qualified	Qualified	Qualified	Unqualified with findings
Buffalo City	Qualified	Qualified	Qualified	Qualified	Adverse
O.R. Tambo	Qualified	Disclaimer	Adverse	Disclaimer	Adverse
Sol Plaatje	Unqualified with material findings AOPO on compliance with legislation	Qualified	Qualified	Qualified	Qualified
eThekweni	Unqualified without findings	Unqualified with material findings on compliance with legislation	Unqualified with findings	Unqualified	Unqualified
Msunduzi	Unqualified without findings	Unqualified with material findings AOPO on compliance with legislation	Qualified	Unqualified	Unqualified
uMhlathuze	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified	Unqualified
Mangaung	Unqualified with material findings AOPO on compliance with legislation	Unqualified with material findings AOPO on compliance with legislation	Qualified	Disclaimer	Disclaimer

Trends

Name of Municipality	2014/15	2013/14	2012/13	2011/12	2010/11
Mbombela	Unqualified with material findings on compliance with legislation	Unqualified with material findings on compliance with legislation	Unqualified	Unqualified	Unqualified
Rustenburg	Unqualified with material findings AOPO on compliance with legislation	Qualified	Qualified	Qualified	Disclaimer
Mahikeng	Disclaimer	Qualified	Disclaimer	Disclaimer	Disclaimer
Polokwane	Unqualified with material findings AOPO on compliance with legislation	Qualified	Disclaimer	Disclaimer	Qualified
Ekurhuleni	Unqualified without findings	Unqualified without findings	Unqualified	Unqualified	Unqualified
City of Johannesburg	Unqualified with material findings AOPO on compliance with legislation	Unqualified with material findings AOPO on compliance with legislation	Unqualified	Qualified	Qualified
City of Tshwane	Unqualified with material findings AOPO on compliance with legislation	Unqualified with material findings AOPO on compliance with legislation	Unqualified	Unqualified	Unqualified

35% unqualified without findings, 41% unqualified with findings, 18% qualified, 6% disclaimer

24% unqualified without findings, 35% unqualified with findings, 35% qualified, 6% disclaimer

Trends

Name of Municipality	2014/15	2013/14	2012/13
Cape Town	↔	↔	↑
George	↔	↔	↔
Nelson Mandela Bay	↔	↔	↔
Buffalo City	↔	↔	↔
O.R. Tambo	↑	↓	↓
Sol Plaatje	↑	↔	↔
eThekweni	↑	↔	↔
Msunduzi	↑	↑	↓
uMhlathuze	↔	↔	↔
Mangaung	↔	↑	↑
Mbombela	↔	↔	↔
Rustenburg	↑	↔	↔
Mahikeng	↓	↑	↓
Polokwane	↑	↑	↓
Ekurhuleni	↔	↑	↔
City of Johannesburg	↔	↔	↑
City of Tshwane	↔	↔	↔

Trends – Detailed Stats of NDM

Municipality	2014-15 Audit outcome			2013-14 Audit outcome			2014/15 Financial statement qualification areas							
	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Aggregate misstatements
City of Johannesburg	R	R	R	R	R	R								
Ekurhuleni Metro														
City of Tshwane	R	R	R	R	R	R								
Msunduzi						R								
uMhlathuze														
eThekweni						R								
Polokwane	R	R			R	R	A							A
Rustenburg	R	R			R	R		A	A	A	A	A	A	
Mahikeng		R	R		R	R	R	R	R	R	R	R	R	R
City of Cape Town														
George														
Mangaung Metro	R	R			R	R								
Mbombela			R			R								
Buffalo City Metro		R	R		R	R					N		R	
Nelson Mandela Bay			R			R			R				A	
OR Tambo		R	R		R	R	R	A	A	A	R	A	R	R
Sol Plaatje	R	R			R	R		A				A		

Trends – Improvements on audits from 2013/14 – 2014/15 (qualified, disclaimed & Adverse)

Number	Municipality	2014/15 Financial statement qualification areas							
		Non-current assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Aggregate misstatements
1	Polokwane	A							A
2	Rustenburg		A	A	A	A	A	A	
3	Mahikeng	R	R	R	R	R	R	R	R
4	Buffalo City Metro					N		R	
5	Nelson Mandela Bay			R				A	
6	OR Tambo	R	A	R	A	R	A	R	A
7	Sol Plaatje		A				A		

2013/14 Financial statement qualification areas							
Non-current assets	Current assets	Liabilities	Capital and reserves	Other disclosure items	Revenue	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Aggregate misstatements
R	A	A		A	A	A	R
	R	R	R	R	R	R	
R	R	R	R	R	R	R	R
A						R	
		N				R	
R	R	R	R	R	R	R	R
	R		A		R		

Common findings on AFS

Top 3 'problem' areas are:

2015/14	2013/14
<i>Liabilities</i>	<i>Current Assets (receivables, operating lease receivables, cash and cash equivalents)</i>
<i>Revenue - only 1 NDM was disclaimed .</i>	<i>Revenue</i>
<i>Unauthorised, irregular and fruitless and wasteful expenditure</i>	<i>Unauthorised, irregular and fruitless and wasteful expenditure</i>

Non – Current Assets issues have been reducing, but still an issue at 2 NDMs.

Common findings on compliance with law and regulations (improvements from 2013/14)

Municipality	2014/15 Compliance with laws and regulations findings											
	Strategic planning and performance	Annual Financial Statements & Annual reports	Budgets	Asset management	Procurement and contract management	Expenditure management	Audit committee	Human resources management	Revenue management	Consequence management	Conditional grants	Environmental management
City of Johannesburg		X	✓		X	X			✓	X		
Ekurhuleni Metro												
City of Tshwane	N	X	✓	X	X	X						
Msunduzi		✓			✓	✓						
uMhlathuze												
eThekweni												
Polokwane	X	X	✓	✓	X	X			✓		N	
Rustenburg	X	X	✓		X	X	X	X		X		N
Mahikeng	X	X	✓	X	X	X	X	X	X	X	X	X
City of Cape Town												
George												
Mangaung Metro		X	✓	X	X	X	N	N				
Mbombela		N			X	X						
Buffalo City Metro	X	X		X	X	X				X	N	
Nelson Mandela Bay	✓	X	X		X	X	X	✓		X		
OR Tambo	X	X		X	X	X	✓	N	X	X		
Sol Plaatje	N	X	✓	N	X	✓		X	✓	X		

Pre-determined objectives findings

Municipality	2014/15 Pre-determined objectives findings		2013/14 Pre-determined objectives findings	
	Usefulness of the reported performance information	Reliability of reported performance information	Usefulness of the reported performance information	Reliability of reported performance information
City of Johannesburg		✓	✓	✓
Ekurhuleni Metro				
City of Tshwane		✓		✓
Msunduzi				
uMhlathuze				
eThekwini				
Polokwane		✓	✓	✓
Rustenburg	✓	✓	✓	✓
City of Cape Town				
George				
Mangaung Metro		✓	✓	✓
Mbombela				
Buffalo City Metro		✓	✓	✓
Nelson Mandela Bay				
OR Tambo	✓	✓	✓	✓
Sol Plaatje	✓	✓	✓	✓
Mafikeng	✓	✓	✓	✓
Total findings	4	9	8	9

Common finding on Audit of Predetermined Objectives - (AOPO)

❑ Usefulness of reported performance information

- Targets were not specific, not measureable and not time bound
- Reported objectives, indicators and targets were not consistent with those in the approved IDP (Integrated development plan) - this was due to lack of review of the APP.
- Performance indicators and performance targets not well defined, this was due to difference in interpretation of FMPPI requirements.
- Performance indicators and performance targets not verifiable, due to the AGSA not be able to validate processes and system that produces indicators.

Common finding on Audit of Predetermined Objectives - (AOPO)

❑ Reliability of reported performance information

- Sufficient appropriate evidence in support of reported information could not be provided.
- Reported information was not valid, accurate and complete when compared to evidence provided. This was due to indicators not well described when initially recorded, accurate measurement of indicators not well defined.
- Lack of monitoring of performance and frequent review of the validity of reported achievements to source documents.

Findings on internal controls

Financial and performance management

- Proper record keeping
- Processing and reconciling controls
- Regular reporting
- Compliance monitoring

Findings on internal controls

	Good	Concerning	Intervention required
Proper record keeping	7 NDM	5 NDM	2 NDM
Processing and reconciling controls	6 NDM	7 NDM	1 NDM
Regular reporting	10 NDM	3 NDM	1 NDM
Compliance monitoring	9 NDM	4 NDM	1 NDM
Audit action plan	6 NDM	6 NDM	2 NDM

3 NDM not included on the analysis – management report not submitted.

Audit action plan findings

❑ Good practice

- Political leadership and executive directors are committed to clean audit outcome and addressing risk that might affect the audit outcome.
- Executive directors monitored the action plan on a regular (bi-weekly or monthly) basis.
- The CFO met with the mayor and the City manager on a regular basis to report back on the progress.
- The executive directors are held accountable for the implementation and driving of the action plan.

Audit action plan findings

❑ Challenges

- Audit action plan is developed to address audit findings, but the appropriate level of management did not timeously monitor adherence to the plan, this resulted in repeat findings.
- Audit action plan not effective in addressing findings related to financial, performance and compliance.
- Matters reported in the prior year were not adequately resolved and have recurred in the current year.
- Some findings previously reported have recurred in the current year as they were not included as part of the audit action plan, while some actions implemented in terms of the plan were not sufficient to prevent recurrence of findings as they did not effectively address the root causes.
- The actions plan developed only focused on addressing findings on financial statements and not performance and compliance with laws and regulations.

Action plans to address AGSA findings

- ❑ In terms of section 131 (1) of the MFMA, a municipality must address any issues raised by the Auditor –General in an audit report.
- ❑ 121 (3g) requires the municipality to include particulars of any corrective action taken or to be taken in response to issues raised by the Auditor-General in the annual report.
- ❑ The council of a municipality must within nine months after the end of a financial year deal with the annual report of the municipality.

Action plans to address AGSA findings

#	Name of Municipality	Action Plan	Date received	Action Plan reviewed and responded to municipality
1	City of Cape Town	Yes	11-Dec-16	Yes
2	Nelson Mandela	Yes	28-Jan-16	In progress
3	UMhlathuze	Yes	1-Feb-16	Yes
4	Buffalo City	Yes	19-Feb-16	In progress
5	Mafikeng	Yes	29-Jan-2016	Yes
6	City of Tshwane	Yes	16-Feb-16	Management report not submitted
7	Sol Plaatje	Yes	15-Jan-16	In progress, late submission of detail management report
8	Ekurhuleni	Not submitted		
9	Mangaung	Yes	8-Feb-16	Detail management report submitted late
10	George	Yes	18-Feb-16	In progress
11	City of Johannesburg	Yes	22-Feb-16	In progress
12	Mbombela	Yes	29-Dec-15	In progress
13	Msunduzi	Not submitted		
14	Rustenburg	Yes	22-Feb-16	Yes
15	OR Tambo	Yes	4-Feb-15	In progress
16	Polokwane	Yes	6-Feb-16	Yes
17	EThekweni	Not submitted		

Way-forward

- Municipality should submit audit action plans and management report on time so that the unit can undertake review process as planned.
- Municipalities to update audit action plans with recommendations provided before submission to council.
- Request for municipalities to submit progress on implementation of audit action plan on a monthly basis.

THANK-YOU