

# AUDIT OUTCOMES 2015/16

Non-delegated Municipalities' CFO Forum: ASR: March 2017



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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# Trends – 6 year trend

Name of Municipality	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Buffalo City	Qualified	Qualified	Qualified	Qualified	Qualified	Adverse
City of Cape Town	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified with findings	Unqualified with findings
City of Johannesburg	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified	Qualified	Qualified
City of Tshwane	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified	Unqualified	Unqualified
Ekurhuleni	Unqualified with findings	Unqualified without findings	Unqualified without findings	Unqualified	Unqualified	Unqualified
eThekweni	Unqualified with findings	Unqualified without findings	Unqualified with findings	Unqualified with findings	Unqualified	Unqualified
George	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified with findings
Mahikeng	Disclaimer	Disclaimer	Qualified	Disclaimer	Disclaimer	Disclaimer
Mangaung	Unqualified with findings	Unqualified with findings	Unqualified with findings	Qualified	Disclaimer	Disclaimer

# Trends – 6 year trend

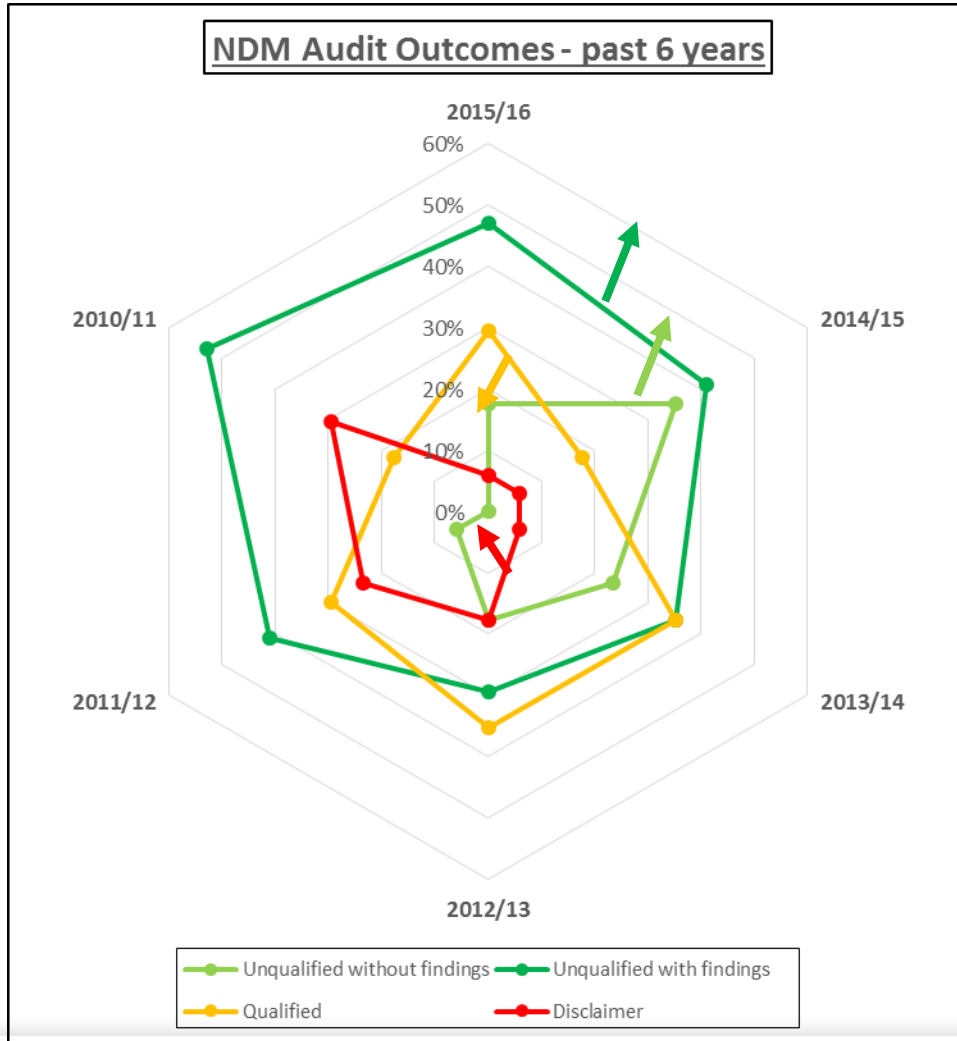
Name of Municipality	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
Mbombela	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified	Unqualified	Unqualified
Msunduzi	Qualified	Unqualified without findings	Unqualified with findings	Qualified	Unqualified	Unqualified
Nelson Mandela Bay	Qualified	Qualified	Qualified	Qualified	Qualified	Unqualified with findings
O.R. Tambo	Qualified	Qualified	Disclaimer	Adverse	Disclaimer	Adverse
Polokwane	Unqualified with findings	Unqualified with findings	Qualified	Disclaimer	Disclaimer	Qualified
Rustenburg	Qualified	Unqualified with findings	Qualified	Qualified	Qualified	Disclaimer
Sol Plaatje	Unqualified with findings	Unqualified with findings	Qualified	Qualified	Qualified	Qualified
uMhlathuze	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified without findings	Unqualified	Unqualified

18% unqualified without findings, 47% unqualified with findings, 29% qualified, 6% disclaimer

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

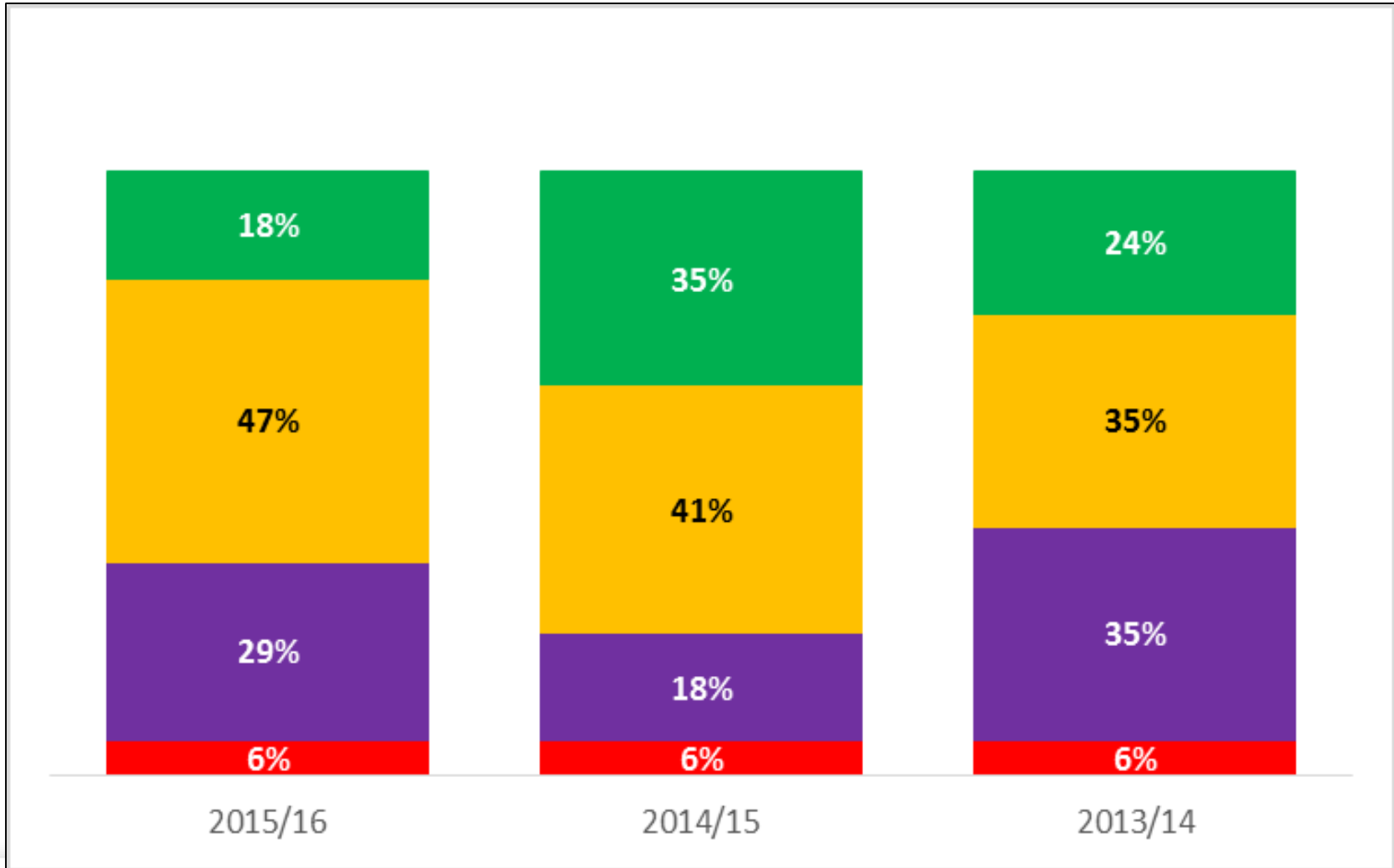


# Trends



Name of Municipality	2015/16	2014/15	2013/14
Buffalo City	↔	↔	↔
City of Cape Town	↔	↔	↔
City of Johannesburg	↔	↔	↔
City of Tshwane	↔	↔	↔
Ekurhuleni	↓	↔	↑
eThekweni	↓	↑	↔
George	↔	↔	↔
Mahikeng	↔	↓	↑
Mangaung	↔	↔	↑
Mbombela	↔	↔	↔
Msunduzi	↓	↑	↑
Nelson Mandela Bay	↔	↔	↔
O.R. Tambo	↔	↑	↔
Polokwane	↔	↑	↑
Rustenburg	↓	↑	↔
Sol Plaatje	↔	↑	↔
uMhlatuze	↔	↔	↔

# Trends – NDM



# Trends – Detailed Stats of NDM: 2015/16 findings

Number	Municipality	2015-16 Audit outcome			2014-15 Audit outcome			2015/16 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
EC	Buffalo City Metro		R	R		R	R						R	R	
WC	City of Cape Town														
GP	City of Johannesburg		R	R		R	R								
GP	City of Tshwane			R		R	R								
GP	Ekurhuleni Metro														
KZN	eThekweni		R				A								
WC	George														
NW	Mahikeng			R		R	R	R	A	R		R	R	R	
FS	Mangaung Metro		R	R		R	R								
MP	Mbombela						R								
KZN	Msunduzi		N	N			A	A	A		A	A		A	
EC	Nelson Mandela Bay		N	R			R			R			R		
EC	OR Tambo		R	R		R	R	R			R		R	R	
LP	Polokwane		R	R		R	R								
NW	Rustenburg		R	R		R	R								
NC	Sol Plaatje		A	R		R	R								
KZN	uMhlatuze														

# Trends – Findings

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:

2016/15	2015/14	2013/14
Unauthorized, irregular and fruitless and wasteful expenditure	Liabilities	Current Assets (receivables, operating lease receivables, cash and cash equivalents)
Commitments (other disclosure items) and Liabilities	Revenue - only 1 NDM was disclaimed .	Revenue
Revenue and Receivables	Unauthorized, irregular and fruitless and wasteful expenditure	Unauthorized, irregular and fruitless and wasteful expenditure

# Common findings on Audit of Predetermined Objectives (AOPO) - NDM

- **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 findings on Audit of Predetermined Objectives (AOPO) - NDM

- **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.

# Internal controls

NDM (11 of the 17)



# Action plans to address root cause of 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	Audit opinion
1	Buffalo City	No	N/A	Outstanding	Qualified
2	City of Cape Town	Yes	21 Dec 2016	Responded to municipality	Unqualified without findings
3	City of Johannesburg	No	N/A	Outstanding	Unqualified with findings
4	City of Tshwane	No	N/A	Outstanding	Unqualified with findings
5	Ekurhuleni	No	N/A	Outstanding	Unqualified with findings
6	EThekweni	Yes	10 Feb 2017	Responded to municipality	Unqualified with findings
7	George	Yes	30 Jan 2017	Responded to municipality	Unqualified without findings
8	Mafikeng	Yes	01 Mar 2017	In final review process	Disclaimer
9	Mangaung	No	N/A	Outstanding	Unqualified with findings
10	Mbombela	Yes	30 Jan 2017	Responded to municipality	Unqualified with findings
11	Msunduzi	Yes	01 Feb 2017	Reviewed and feedback provided	Qualified
12	Nelson Mandela	No	N/A	Outstanding	Qualified
13	OR Tambo	Yes	07 Feb 2017	Responded to municipality	Qualified
14	Polokwane	Yes	24 Jan 2017	Reviewed and feedback provided	Unqualified with findings
15	Rustenburg	No	N/A	Outstanding	Qualified
16	Sol Plaatje	Yes	20 Feb 2017	Action Plan not adequately prepared. Sent back for revision	Unqualified with findings
17	UMhlatuze	No	N/A	Outstanding	Unqualified without findings

# Way-forward – 2014/15

- 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.

# MUNICIPALITY PRESENTATIONS