

Limpopo - Local government audit outcomes | 2017-18

Accountability for financial and performance management_ Revenue _ 29 April 2019



AUDITOR - GENERAL
SOUTH AFRICA

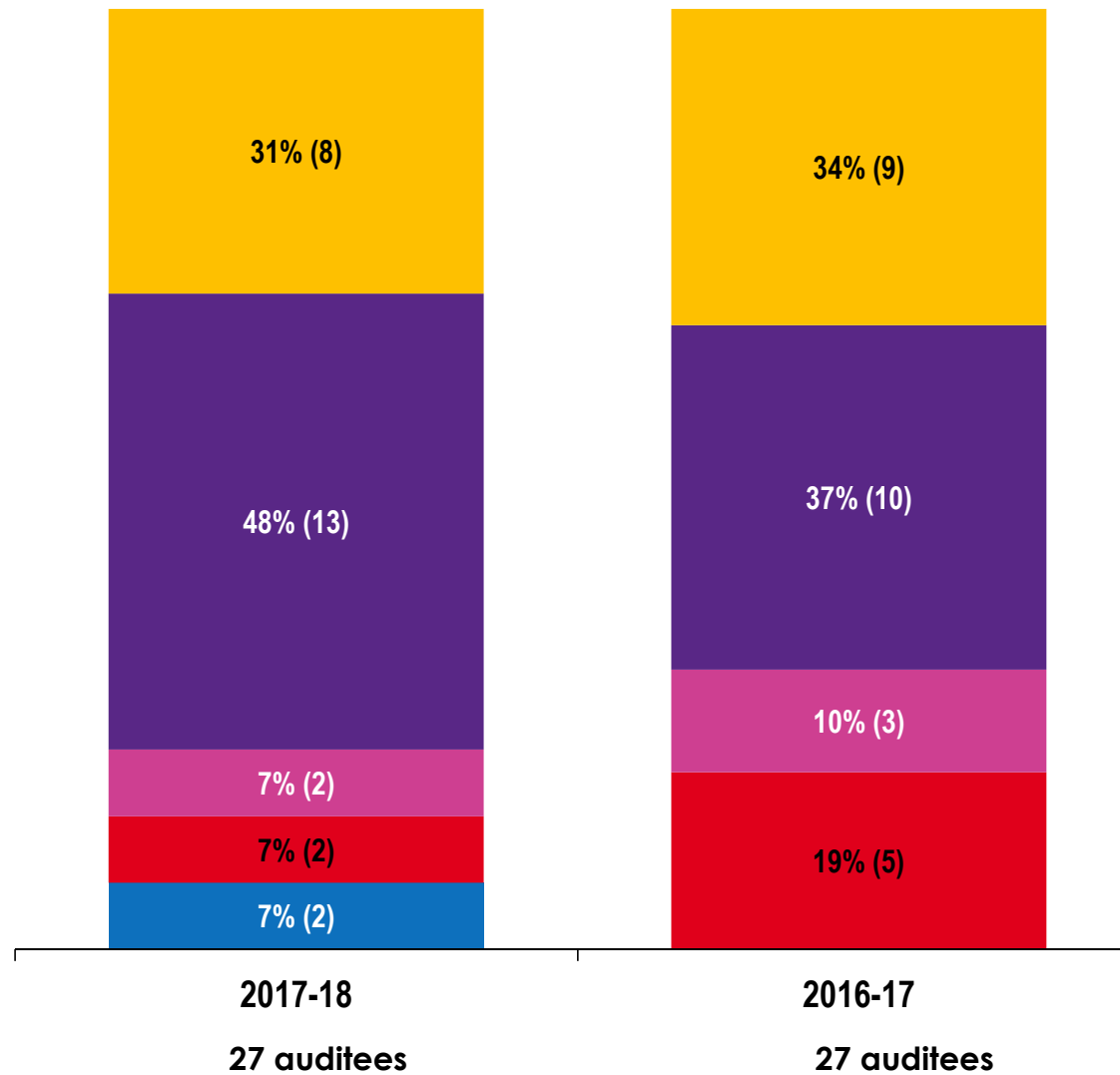
Reputation promise

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





Improvement of audit outcomes over two years



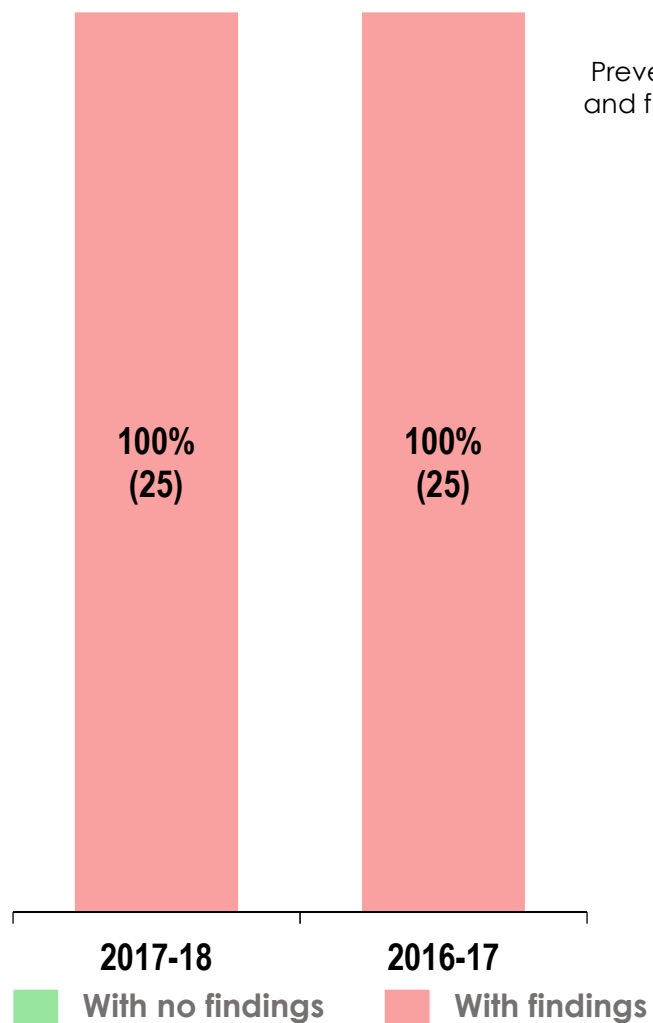
Movement table (2017-18 over 2016-17)

| Audit outcome | MOVEMENT | | | |
|-------------------------------|---|---|---|---|
| | 7 Improved | 13 Unchanged | 5 Regressed | 2 Outstanding audits |
| Unqualified with findings = 8 | <ol style="list-style-type: none"> 1. Elias Motsoaledi 2. Ephriam Mogale 3. Greater Letaba | <ol style="list-style-type: none"> 1. Capricorn district 2. Sekhukhune district 3. Maruleng 4. Molemole 5. Thulamela | | |
| Qualified with findings = 13 | <ol style="list-style-type: none"> 1. Greater Giyani 2. Makhado 3. Ba-Phalaborwa | <ol style="list-style-type: none"> 1. Waterberg district 2. Bela bela 3. Blouberg 4. Fetakgomo 5. Lepelle Nkumpi 6. Polokwane | <ol style="list-style-type: none"> 1. Greater Tzaneen 2. Lephalale 3. Makhuduthamakga 4. Musina | |
| Adverse with findings = 2 | <ol style="list-style-type: none"> 1. Mopani | <ol style="list-style-type: none"> 1. Mogalakwena | | |
| Disclaimed with findings = 2 | | <ol style="list-style-type: none"> 1. Vhembe | <ol style="list-style-type: none"> 1. Collins Chabane | <ol style="list-style-type: none"> 1. Modimolle 2. Thabazimbi |

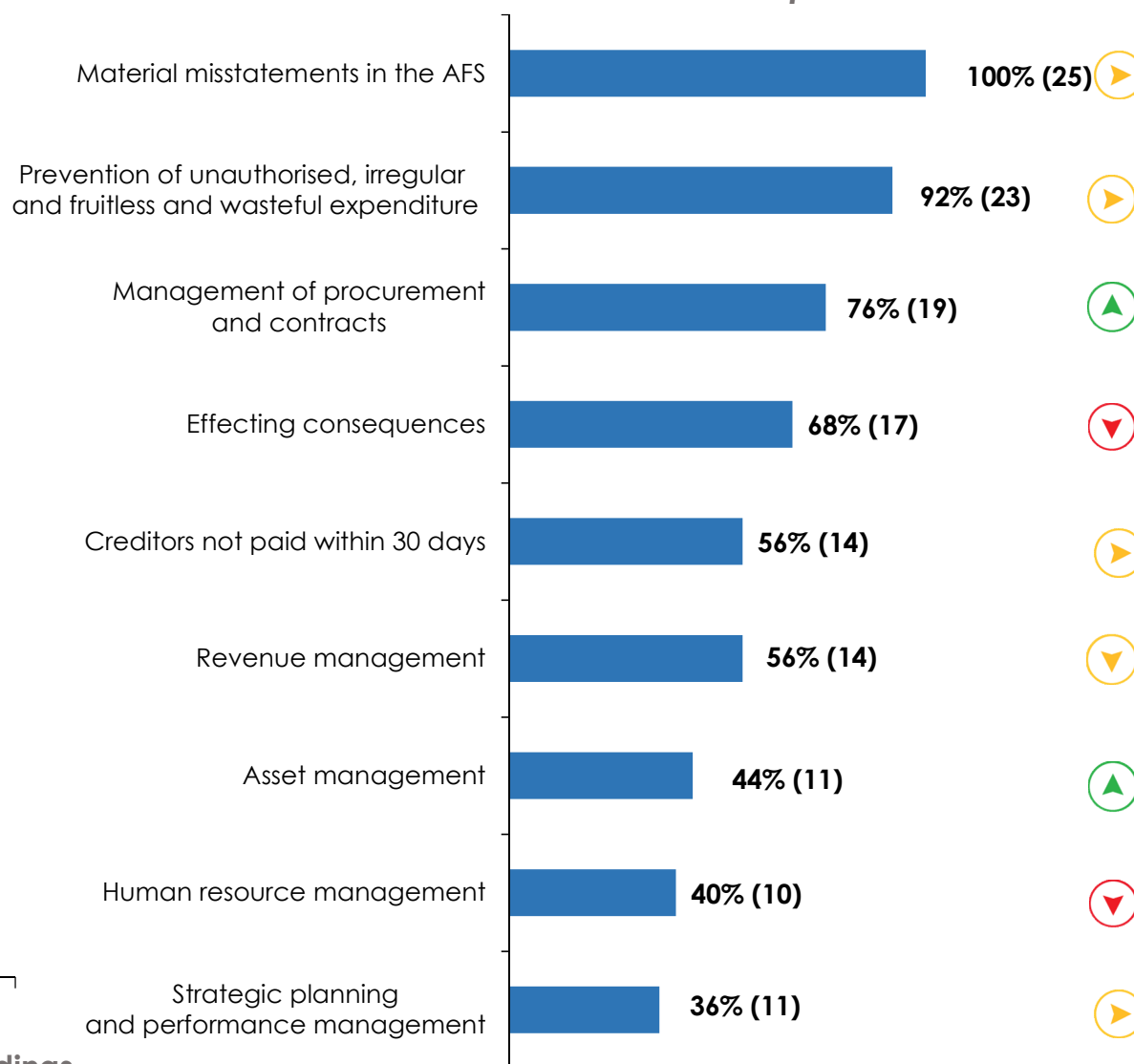
Colour of the number indicates the audit opinion from which the auditee has moved.

Most common non compliance areas

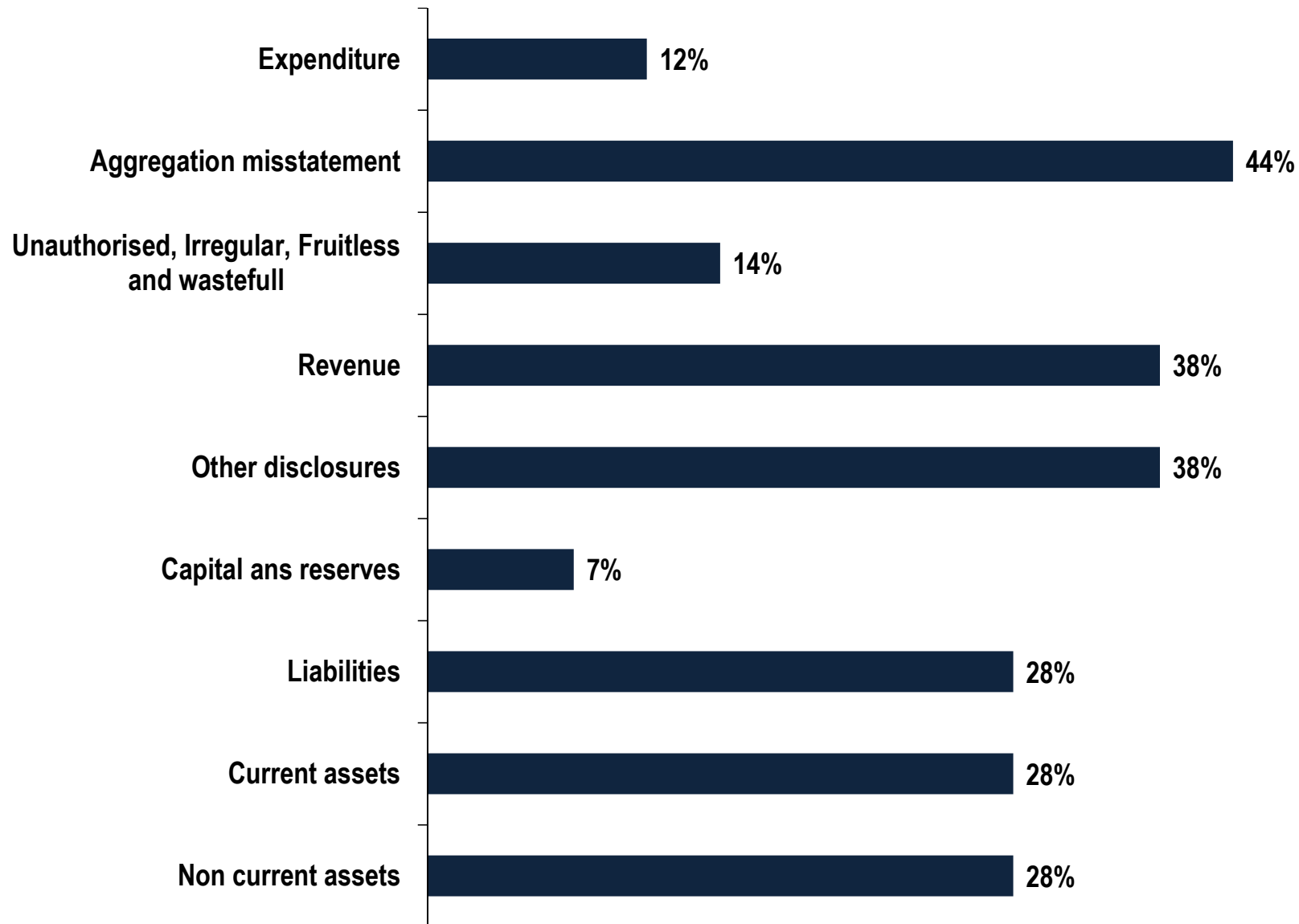
Findings on compliance with key legislation



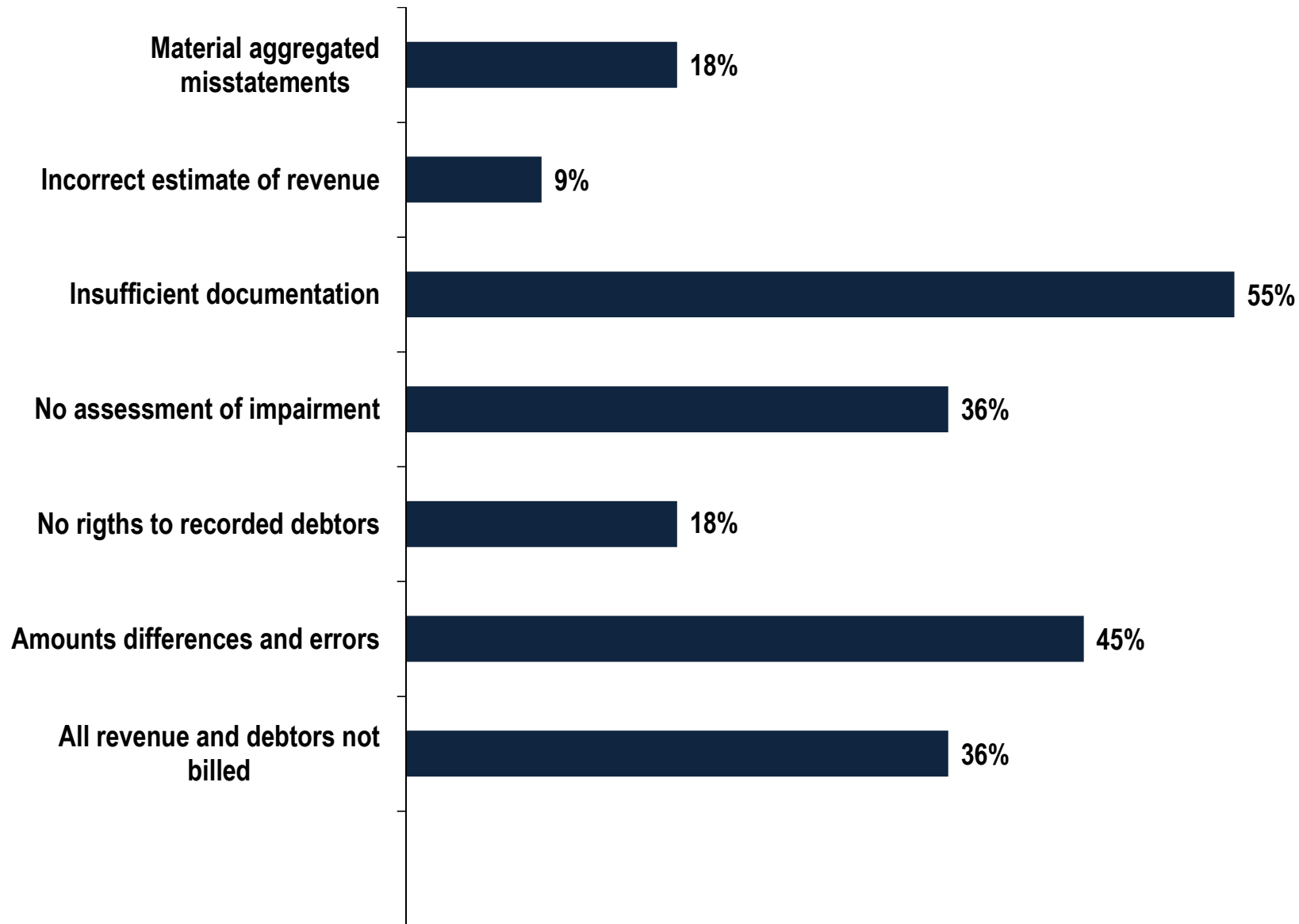
Most common non-compliance areas



Most common qualification areas



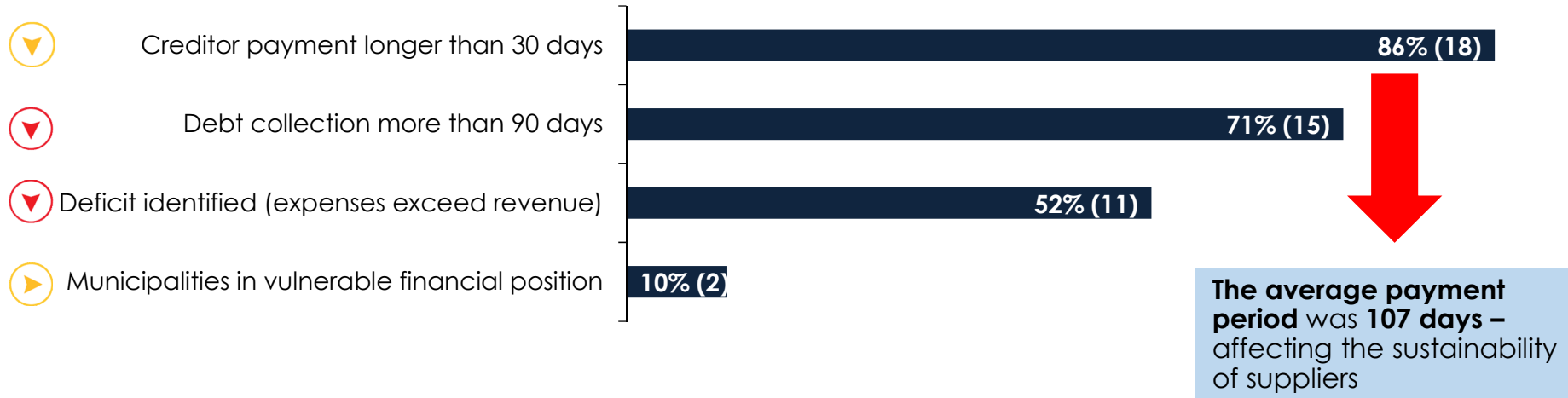
Most common findings on Revenue & Receivables



Declining financial health and losses

53257
53257
281768
260935
910835

What the numbers say



- Unauthorised expenditure increased from R1 393 million to R2 832 million; R1 750 million of R2 832 million was as a result of non-cash items; 100% (R2 832 million) of the unauthorised expenditure was as a result of overspending
- Fruitless and wasteful expenditure decreased significantly from R244 million to R49 million



Root causes of the accountability failure



- Management (municipal managers and senior management), political leadership (mayors) and oversight bodies (municipal councils and portfolio committees) do not **respond with the required urgency** to our messages about **addressing risks and improving internal controls** – this **slow response** from management was evident at **100%** of auditees with unfavourable outcomes
- Provincial and national role players **do not sufficiently support** municipalities



- **Vacancies and instability** slow down systematic and disciplined improvements
- **Inadequate skills** lead to a **lack of oversight** by the council (including the mayor), and insufficient implementation and maintenance of financial and performance management systems by the administration. The skills deficit in the province is being supplemented through the appointment of consultants.



- **Interference** in administration weaken oversight, hinder the effecting of consequences, and make local government less attractive for professionals to join
- Leadership's inaction / inconsistent action creates a culture of '**no consequences**', often due to inadequate performance systems and processes
- **Blatant disregard** for controls, compliance with legislation, and AGSA recommendations may result in financial losses and impact on service delivery (e.g. investments with VBS resulted in substantial financial losses)



ACCOUNTABILITY



=

**Instability, skills gaps,
political interference
and corruption**



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Auditor-General of South Africa



ACCOUNTABILITY = PLAN + DO + CHECK + ACT

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