



# *Intergovernmental relations and the fiscal framework:*

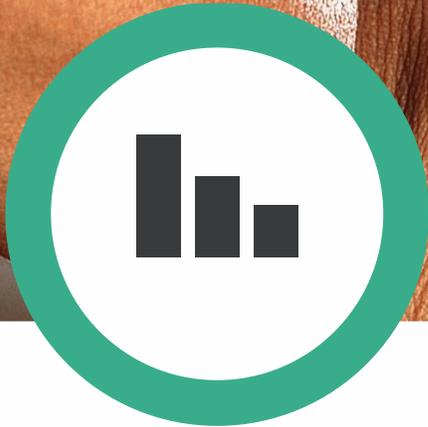
*coherence and meaning to the financial oversight role of Parliament in audit outcomes and public resource management*

*2 February 2022*



AUDITOR-GENERAL  
SOUTH AFRICA

# REPUTATION PROMISE



The Auditor-General of South Africa 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.

MISSION



To be recognised by all our stakeholders as a relevant supreme audit institution (SAI) that enhances public sector accountability.

VISION

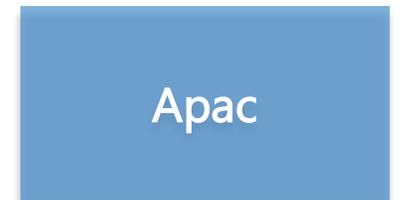
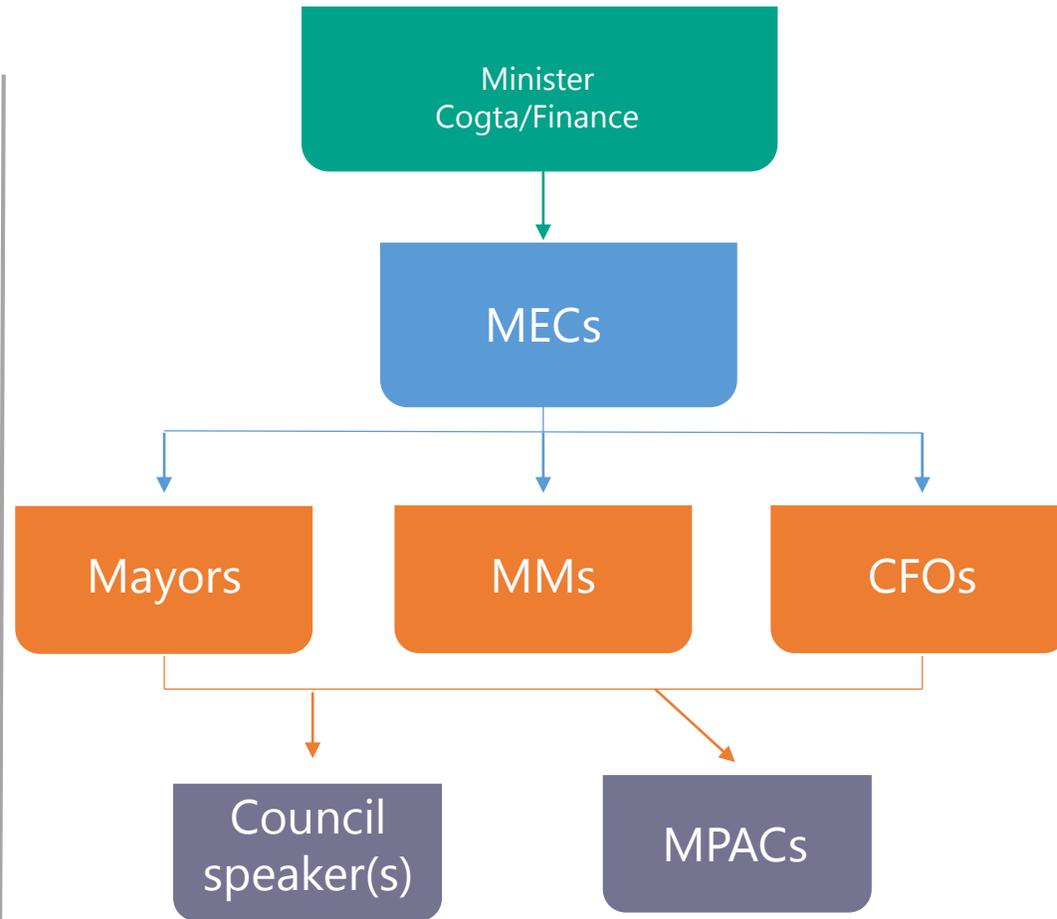


# WHO WE ENGAGE



## AGSA

AGSA engages key stakeholders before, during and after audit process. Stakeholders are given the opportunity to commit to remedial actions to improve their audit outcomes.



## ROLE OF EXECUTIVE AUTHORITY (MINISTERS & MECs)



- Prepare and initiate legislation and empower the implementation thereof
- Develop and implement policy
- Direct and coordinate the work of government departments
- Perform other functions as called for by the Constitution or legislation
- The MECs for Cogta in the provinces must report on the status of local government to the provincial legislatures; similarly, the minister of Cogta must report annually to Parliament on the state of local government

# ROLE OF NCoP



## NCoP has the following role:

- To hold national and provincial executive accountable on execution of their mandates
- To approve and review national to province interventions – *s 100(1)(b)*
- To approve and review province to municipal interventions – *s 139(1)(b)*
- To resolve administrative capacity disputes within local government sphere – *s 125(4)*

# REFLECTION ON OUR MESSAGE

- Despite our consistent warnings about deterioration of accountability in local government, we see little evidence of our messages receiving the earnest attention they require
- This is demonstrated through the audit outcomes that show an overall regression over the period of this administration
- We continue to see a deterioration in the financial health of municipalities and a lack of consequences
- The poor state of financial and performance management indicates that our recommendations remain unheeded, in direct contrast to the concepts of public interest and accountability entrenched in our country's Constitution and the legislation that governs local government

# THE VALUE OF AN AUDIT

An audit report is an important enabler to support democracy – and includes information on:



## Annual financial statements

How government has accounted for how it spent taxpayers' money



## Compliance

Whether processes followed were within the rules



## Performance information

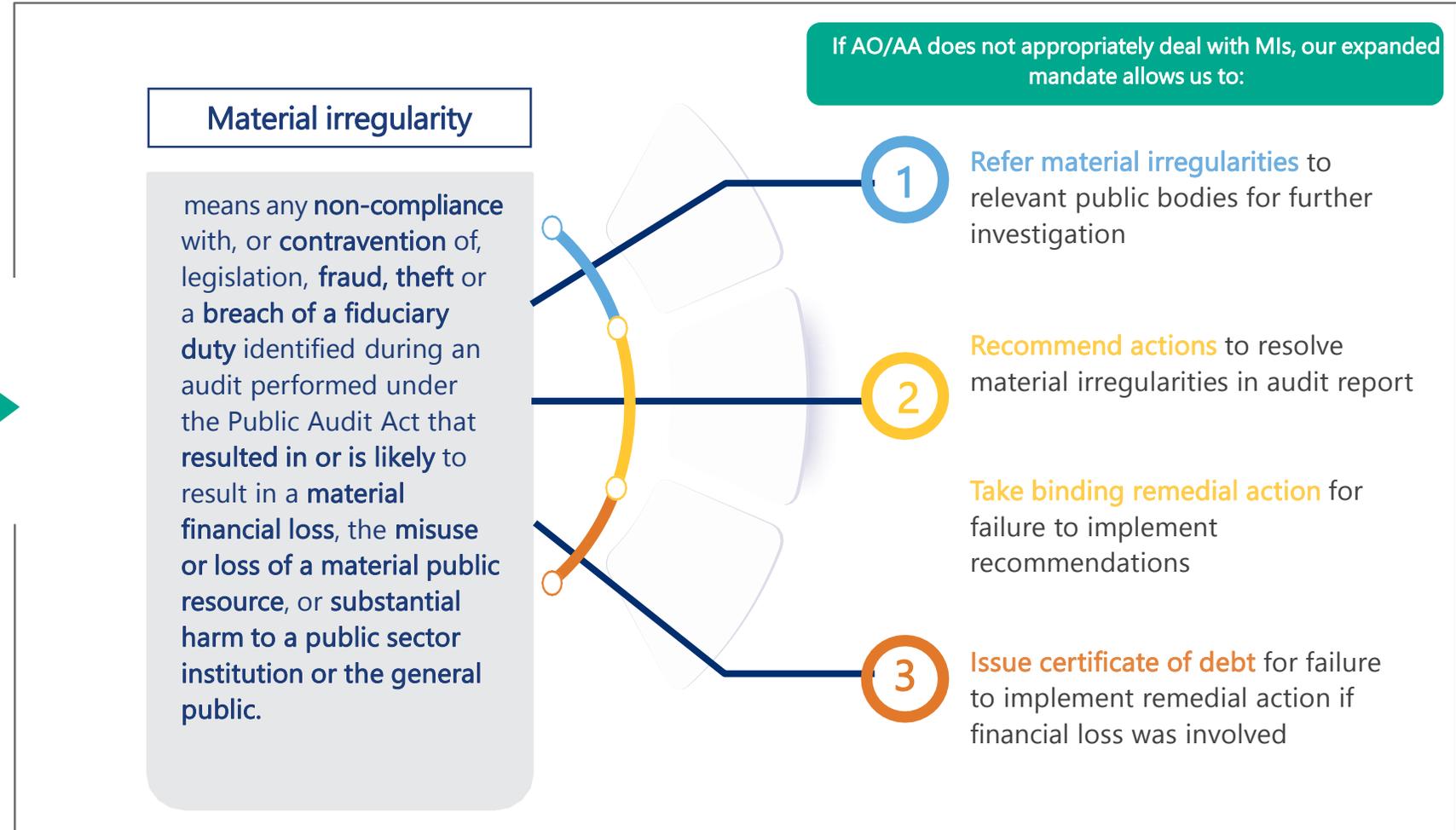
Whether the actual performance report is useful and whether the information reported can be relied upon

We do not provide a full account of service delivery – however, a clean audit is an important building block towards sustained achievement and provides oversight with factual and accurate information on the reported performance of the auditee.



# WHY WERE OUR POWERS EXTENDED AND WHAT DOES IT MEAN?

We have long reported on **pervasive mismanagement/ leakage of public funds without consequences** and our **audit recommendations not receiving the required attention**, with little or no improvement noted in the status quo, leading to our relevance being questioned.



# MUNICIPALITIES SUBJECTED TO AMENDED POWERS

## **NORTH WEST**

Dr Ruth Segomotsi Mompati District  
 Ngaka Modiri Molema District  
 City of Matlosana  
 JB Marks  
 Madibeng  
 Mahikeng  
 Rustenburg

## **GAUTENG**

City of Ekurhuleni Metro  
 City of Johannesburg Metro  
 City of Tshwane Metro  
 Brakpan Bus Company (municipal entity of City of Ekurhuleni Metro)

## **LIMPOPO**

Vhembe District  
 Elias Motsoaledi  
 Fetakgomo Tubatse  
 Greater Letaba  
 Mogalakwena  
 Polokwane

## **NORTHERN CAPE**

Emthanjeni  
 Ga-Segonyana  
 Hantam  
 Joe Morolong  
 Nama Khoi  
 Sol Plaatje

## **MPUMALANGA**

Bushbuckridge  
 City of Mbombela  
 Dr JS Moroka  
 Emalaheni  
 Govan Mbeki  
 Steve Tshwete  
 Thaba Chweu

## **WESTERN CAPE**

City of Cape Town Metro  
 Garden Route District  
 Beaufort West  
 Cederberg  
 Drakenstein  
 George  
 Stellenbosch



## **EASTERN CAPE**

Buffalo City Metro  
 Nelson Mandela Bay Metro  
 Alfred Nzo District  
 Chris Hani District  
 OR Tambo District  
 King Sabata Dalindyebo

## **FREE STATE**

Mangaung Metro  
 Letsemeng  
 Maluti-A-Phofung  
 Matjhabeng  
 Ngwathe  
 Setsoto  
 Tokologo

## **KWAZULU-NATAL**

eThekweni Metro  
 uMkhanyakude District  
 uMzinyathi District  
 uThukela District  
 Msunduzi  
 Newcastle  
 uMhlathuze



# NATURE OF IDENTIFIED MATERIAL IRREGULARITIES (MIs)

*Municipal manager notified of 96 MIs with estimated financial loss of R2,04 billion*

## Disclaimers – 21 MIs

Full and proper records not kept, as evidenced by **repeat disclaimer opinions**, resulting in substantial harm to municipalities (lack of service delivery and/or vulnerable financial position)



## Procurement and payments

Non-compliance in procurement processes, resulting in **overpricing of goods and services procured**  
1 MI – R2,5 million estimated loss

Payment for **goods or services not received or invalid salary payments**  
18 MIs – R285,9 million estimated loss



## Interest and penalties

Eskom, water boards, loans and suppliers **not paid on time**, resulting in interest  
23 MIs – R979,3 million estimated loss

Payroll and VAT returns **not paid on time** or incorrectly calculated, resulting in SARS interest and penalties  
11 MIs – R54,7 million estimated loss



## Revenue management

Revenue **not billed**  
8 MIs – R182,3 million estimated loss

Debt **not recovered**  
2 MIs – R149,4 million estimated loss



## Investments and assets

Loss of investments  
3 MIs – R264,9 million estimated loss

Assets **not safeguarded**, resulting in loss  
9 MIs – R116,6 million estimated loss



# PREVENTATIVE CONTROLS: INFRASTRUCTURE DELIVERY PROCESS

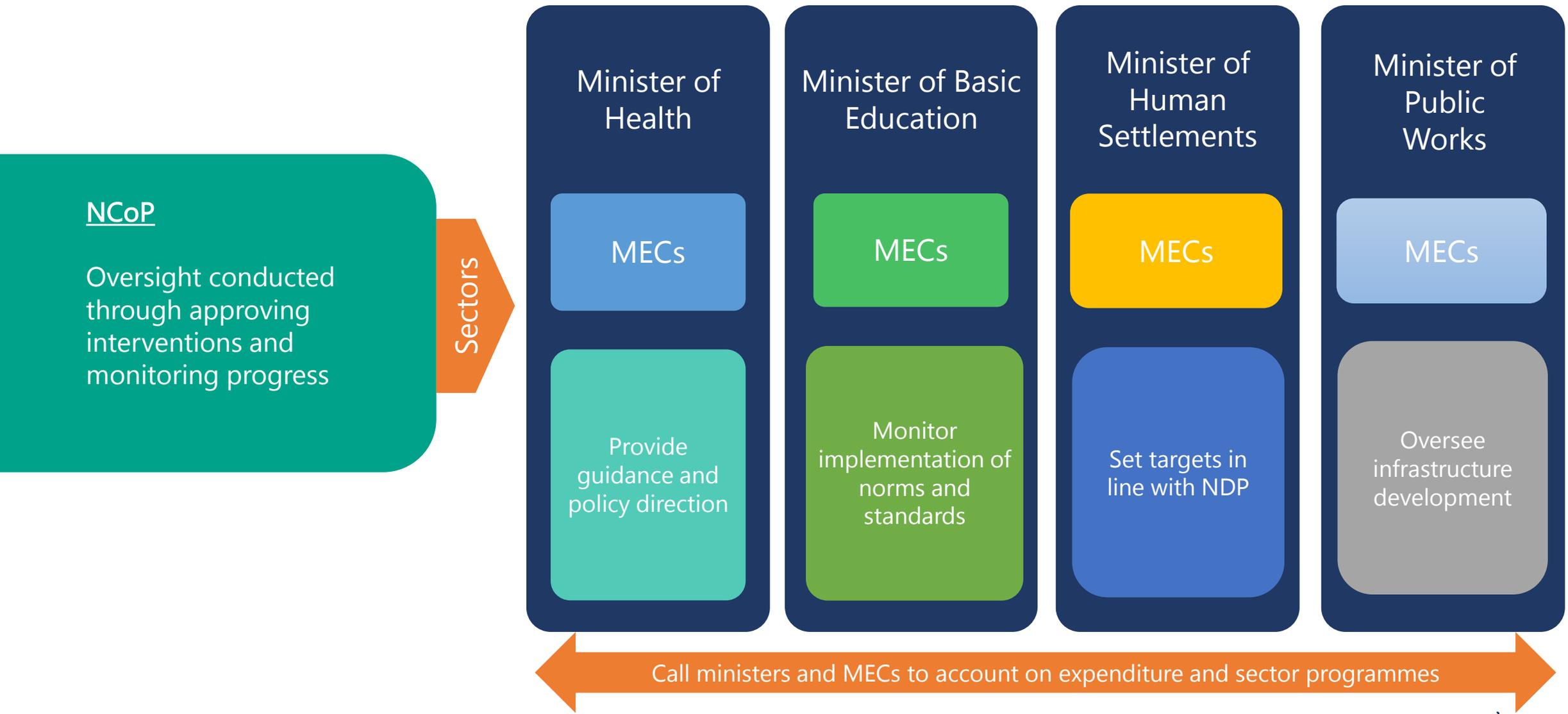
AGSA developed preventative control guides to:

We developed 7 preventative control guides:

- Guide 1: The importance of preventative controls
- Guide 2: Tone and control culture
- Guide 3: Institutionalises internal controls
- Guide 4: procurement of goods and services
- Guide 5: Preparation of financial statements
- Guide 6: Asset management
- Guide 7: Infrastructure delivery process (available since December 2021)



# NCoP's INTERFACE WITH SECTOR DEPARTMENTS



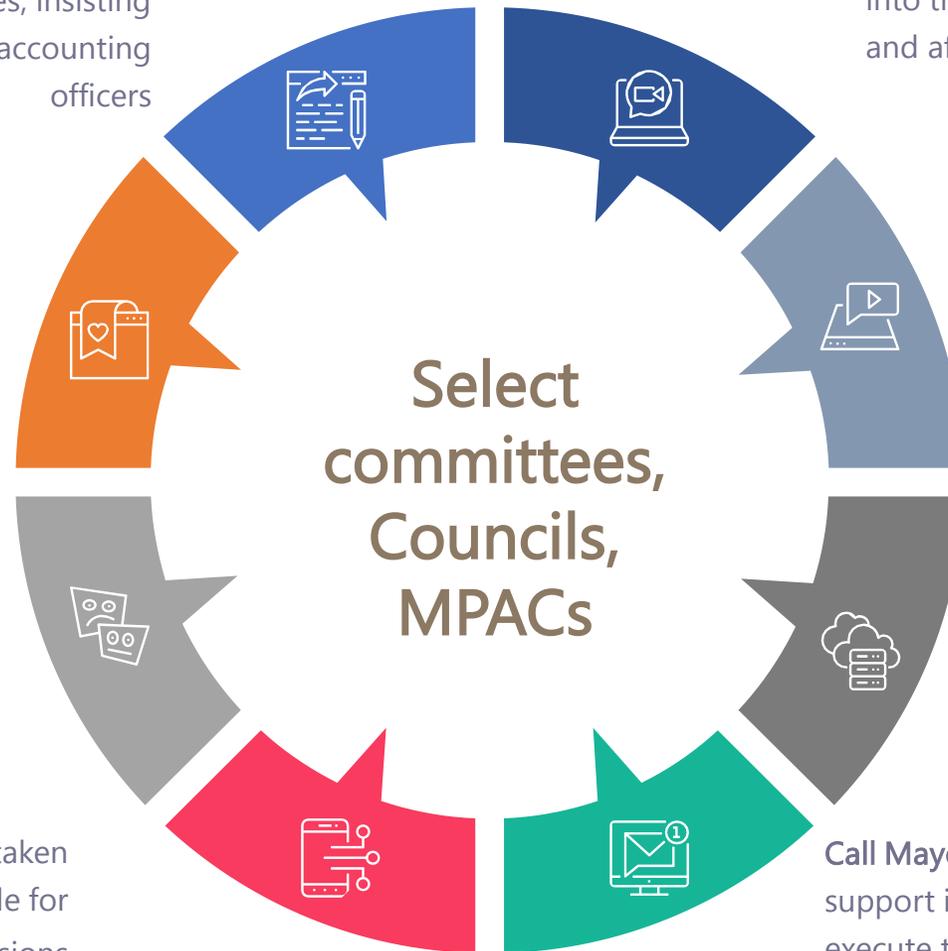
# WHAT SHOULD OVERSIGHT DO?

Select committees to use information in **audit report on material irregularities** for accountability and oversight purposes, insisting on timeous implementation of recommendation by accounting officers

NCoP to use reports tabled on **progress with material irregularities** to encourage public bodies to support with investigations

NCoP to hold the MECs accountable on the progress and improvement on section 139 interventions

**Council** to follow up on the actions taken against the official(s) responsible for transgressions



# CHALLENGE TO NCoP AND OVERSIGHT IN GENERAL

“Only a capable, efficient, ethical and development-oriented state can deliver on the commitment to improve the lives of the people of this country.” – President Cyril Ramaphosa

NCoP should enable and insist on:

- Ethical leadership, good governance and accountability
- Encouraging stable administration – free from political interference
- A strong control environment with strong internal controls that prevent financial loss
- Consistent, appropriate and swift consequences for accountability failures

A call to action: what will change the tide in local government?

- Regular reporting on the interventions in local government
- Encourage significant oversight in monitoring senior officials, municipal leaders and councils roles
- Effect consequences for accountability failures

# Stay in touch with the AGSA



[www.agsa.co.za](http://www.agsa.co.za)



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