

## **FREE STATE MAYORS NEED TO INCREASE THEIR OVERSIGHT EFFORTS IN THEIR DRIVE FOR IMPROVED AUDIT RESULTS**

29 June 2011

Auditor-General Terence Nombembe today released the 2009/10 provincial general report on local government and indicated that the audit outcomes of municipalities and municipal entities in the province for the 2009/10 financial year showed a steady reduction in audit qualifications.

Despite a concerted effort by the provincial leadership, Cooperative Governance and Traditional Affairs (CoGTA) and the provincial treasury to assist the municipalities (and commitments that were received from the mayors during the door-to-door visits that were conducted in the province), there was unfortunately no visible change, as most of the mayors did not perform their oversight role as emphasised and agreed upon. "Very little impact is visible due to this lack of commitment at municipal level by most mayors and accounting officers, as well as capacity challenges experienced by municipalities," says Nombembe.

Of the 20 municipalities analysed in the report, six municipalities (Thabo Mofutsanyana District (from disclaimer to financially unqualified), Motheo District (qualified to financially unqualified), Xhariep District (disclaimer to qualified), Dihlabeng Local (disclaimer to qualified), Mantsopa Local (disclaimer to qualified) and Nketoana Local Municipalities (disclaimer to qualified)] showed improved audit outcomes since 2008/09; 13 municipalities [Kopanong Local (disclaimer), Mafube Local (disclaimer), Maluti-A-Phofung Local (disclaimer), Mangaung Local (disclaimer), Matjhabeng Local (disclaimer), Metsimaholo Local (disclaimer), Ngwathe Local (disclaimer), Mohokare Local (disclaimer), Phumelela Local (disclaimer), Letsemeng Local (adverse), Setsoto Local (qualified), Fezile Dabi District (financially unqualified) and Lejweleputswa District (financially unqualified) Municipalities remained unchanged and one municipality (Tswelopele Local Municipality) regressed from financially unqualified to qualified.

Of the audit outcomes of the five municipal entities, two improved [Lejweleputswa Development Agency (qualified to financially unqualified) and Metsimaholo Mayoral Trust (disclaimer to qualified)] and three remained unchanged (Centlec, Maluti-A-Phofung Water and Fezile Dabi District Trust) as disclaimers.

Of the six audit reports not included, four audits (Masilonyana, Moqhaka, Naledi, Tokologo Local Municipalities) were in progress and two auditees (Nala Local Municipality and Krynaauwlust Farming Trust) had not yet submitted their annual financial statements for audit purposes.

Capital assets remained the main reason for qualifications at municipalities and municipal entities. Other areas that require improvement and leadership attention relate to key controls in financial management, service delivery and compliance with laws and regulations. "This will assist in eliminating the material errors in financial statements that get corrected during the audit despite the extensive use of consultants, as well as excessive unauthorised and irregular expenditure at most municipalities," notes Nombembe.

Nombembe emphasises that clean audits will only be achieved if the political and legislative oversight plays an active supervisory role in monitoring the impact of interventions in the province. Areas that require close monitoring include capital assets, current assets, lack of supporting documentation, compliance with laws and regulations, the incurrence of irregular expenditure, predetermined objectives and information technology (IT) governance matters.

“The future interactions of the Auditor-General of South Africa (AGSA) with the political and legislative oversight will focus on the results and impact of these monitoring interventions,” concludes Nombembe.

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