



**CONSOLIDATED
GENERAL REPORT**
on the **LOCAL GOVERNMENT** audit outcomes

2009-10



**AUDITOR-GENERAL
SOUTH AFRICA**

Auditing to build public confidence



100 YEARS
1911-2011

Consolidated general report

on the local government audit outcomes 2009-10

RP 92/2011

ISBN: 978-0-621-40110-3



Our reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our constitutional's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



TABLE OF CONTENTS

SECTION 1: FOREWORD	1
SECTION 2: AUDIT OUTCOMES	4
2.1 Highlights of audit outcomes	4
2.2 Findings on financial management, including defects in financial statements	14
2.3 Findings on reporting on predetermined objectives	27
2.4 Findings on compliance with laws and regulations	31
2.5 Findings on information technology used by municipalities and municipal entities	41
SECTION 3: KEY CONTROLS, INITIATIVES AND COMMITMENTS FROM KEY NATIONAL AND PROVINCIAL ROLE PLAYERS	45
3.1 Overall assessment of the key controls at the time of the audits	46
3.2 Assessment of key controls at the time of the audit of auditees receiving disclaimed, adverse or qualified opinions	46
3.3 Monitoring capacity of provincial key role players to address audit outcomes at the time of the audit	49
3.4 Focus areas for national role players to improve audit outcomes	50
3.5 Matters dealt with at trilateral meeting between the ASB, National Treasury and the AGSA	55
3.6 AGSA initiatives to encourage clean administration	56
3.7 Other emerging matters that require attention to prevent a negative impact on future audit outcomes	58
SECTION 4: DRIVERS OF AUDIT OUTCOMES	59
4.1 Provincial analysis of key controls	59
4.2 Assessment of the key controls and outline of their related criteria	60
4.3 Outline of recommended focus areas for national and provincial role players	66
4.4 Overview of needs and challenges of provincial role players at the time of the audit	68
SECTION 5: SIGNIFICANT FINDINGS ARISING FROM THE AUDIT OF SUPPLY CHAIN MANAGEMENT	70
5.1 Limitations on planned scope of audit of awards	71
5.2 Awards to persons in the service of the state	72
5.3 Awards to family members of persons in the service of the state	74
5.4 Uncompetitive or unfair procurement processes	75
5.5 Inadequate contract management	77
5.6 Inadequate SCM controls	79
5.7 Overall comments on SCM findings	80



DEFINITION OF AUDIT OPINIONS	82
ANNEXURES TO THE GENERAL REPORT (LISTINGS)	83
Annexure 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives	84
Annexure 2: Auditees with findings related to compliance with laws and regulations	107
Annexure 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses	121
Annexure 4: Assessment of auditees' key controls at the time of the audit	134
Annexure 5: Auditees with key findings on supply chain management	145
Annexure 6: Auditees with issues relating to funding of operations/ financial sustainability/ going concern	153



SECTION 1: FOREWORD

It is with pleasure that I present to national Parliament, provincial legislatures and municipal councils my 2009-10 general report summarising the results of the audit outcomes for local government for the financial year ended 30 June 2010. The purpose of this report and the briefings I held with members of provincial legislatures, Premiers, MECs for Finance and Local Government and other role players leading up to its release is to provide an overview of the audit outcomes of municipalities and municipal entities. This empowers those charged with governance and oversight, including the executive, councils, legislatures and audit committees, to work together towards achieving clean administration, characterised by financially unqualified audit reports that have no findings on either their service delivery reporting or their compliance with laws and regulations.

In their continuing efforts to encourage clean administration, AGSA senior staff conducted key control assessments on a quarterly basis which led to discussions with executive mayors, municipal managers and provincial leadership. These key controls, comprising (i) leadership, (ii) financial and performance management, and (iii) governance, have for the year under review been key drivers of the three facets of audit outcomes, namely audit opinions on financial statements, reporting on predetermined objectives (service delivery reporting) and compliance with laws and regulations.

Seven municipalities received financially unqualified audit reports with no findings on either predetermined objectives or compliance with laws and regulations (clean administration). These municipalities are in Mpumalanga, namely the Ehlanzeni district municipality and Steve Tshwete and Victor Khanye municipalities. Other municipalities with clean administration, as measured by audit reports, were the City of Cape Town consolidated (Western Cape), the district municipalities of Metsweding (Gauteng), Frances Baard (Northern Cape), and the local municipality of Fetakgomo (Limpopo). The 10 municipal entities that registered this commendable achievement are Amathole Economic Development Agency (Eastern Cape), seven entities in Gauteng (Brakpan Bus Company, Erwat, Joburg Property Company, Johannesburg Civic Theatre, Johannesburg Social Housing Company, Lethabong Housing Institute, and the Roodepoort Civic Theatre) and the Cape Town International Convention Centre and Overstrand Local Economic Development Agency in the Western Cape. None of the municipalities or municipal entities in the Free State, KwaZulu-Natal and the North West province obtained audit outcomes that fall within this category.

Other salient aspects of the audit outcomes of the 237 municipalities reported on include 57 (24%) improving on their 2008-09 audit outcomes, 15 (6%) regressing, 95 (40%) remaining financially unqualified, but with findings, and 70 (30%) again receiving disclaimed or adverse audit opinions. Key aspects of the audit outcomes of municipal entities for the year under review include 12 (26%) improving on their 2008-09 audit outcomes, two (5%) regressing, 25 (54%) remaining financially unqualified, but with findings, and seven (15%) again receiving disclaimed or adverse audit opinions.

An overall reduction of 46% was registered in the most negative (disclaimers and adverse) audit opinion category during the year under review, namely from 121 to 65. However, this should not be viewed as the final trend in audit improvements since 51 audits were outstanding as at 31 January 2011, many of which obtained disclaimed or adverse audit opinions for the 2008-09 financial year.



The most notable overall improvements in audit outcomes occurred in KwaZulu-Natal and Gauteng. These two provinces, together with the Western Cape, lead the pursuit of financial statements that are financially unqualified. In each of these provinces, more than 80% of auditees are financially unqualified.

Disconcertingly, 110 out of the 163 (67%) municipalities failed to address all their 2008-09 qualification findings in order for their 2009-10 financial statements to be financially unqualified. This includes 38 municipalities and three municipal entities which have now received disclaimed/adverse audit reports for the past six and five years, respectively, and five municipalities which have remained qualified for three consecutive years. The Eastern Cape (17), Free State (seven), Limpopo (seven) and the Northern Cape (nine) account for 97% of such auditees.

Seventy-five municipalities (34%) and 25 (51%) municipal entities have had repeat findings on predetermined objectives and/or compliance with laws and regulations, while again having obtained financially unqualified audit reports. The audit outcomes of these municipalities have therefore stagnated as they had not progressed sufficiently towards clean administration over the past two years (i.e. financially unqualified with no findings on either reporting on predetermined objectives or compliance with laws and regulations). These municipalities, in particular, present a huge opportunity for local government to increase the number of municipalities with clean administration several-fold within the foreseeable future.

Financial statements that were disclaimed or subject to adverse or qualified audit opinions did not fairly present the financial position as at June 2010 or the financial results for the year then ended as regards matters such as the values placed on capital assets, amounts at which debtors would be realised, employee retirement benefit obligations and under-disclosure of unauthorised, irregular or fruitless and wasteful expenditure.

The high incidence of material errors and omissions in financial statements submitted for audit, which management corrected during the audit and thereby avoided their financial statements being qualified, still points to a lack of accounting discipline. The continued, extensive reliance by municipalities on consultants to assist with the preparation of financial statements and even with the correction of such errors during the audit, raises concern about the sustainability of audit outcomes for many municipalities.

While the number of auditees submitting their performance reports on predetermined objectives for audit had increased by 12% to 80%, only 18 municipalities (8%) produced performance reports that satisfied regulatory requirements and were both useful and reliable. Considering the number of findings, especially the high incidence of non-compliance with the MSA and MFMA, coupled with the non-submission of performance information for audit, it is evident that substantial work still needs to be done to prepare municipalities and municipal entities for an opinion on performance information. The high prevalence of findings can be attributed to the fact that leadership does not assign the same level of commitment to addressing findings on predetermined objectives and compliance matters as they do to addressing matters that could lead to unfavourable audit opinions.

The level of non-compliance with laws and regulations applicable to municipalities and municipal entities is an area of concern. The financial year under review saw an increase in the number of municipalities found to have contravened laws and legislation. The findings include non-adherence to supply chain management prescripts (SCM), material errors and omissions in financial statements submitted for audit, while mayors, municipal managers and senior municipal officers neglected their legislated duties. Audit committees and

internal audit units that do not fulfil their legislated functions or are under-capacitated constitute non-compliance, and also weaken governance at auditees. Key findings from the audits of SCM include awards to persons in the service of the state (including councillors), inadequate controls, as well as auditees not being able to submit for audit, documentation relating to contracts awarded. This resulted in a substantial increase in the number of municipalities incurring unauthorised, irregular as well as fruitless and wasteful expenditure. Mayors and municipal managers must set an example by consistently executing their legislated duties and then ensuring that compliance-oriented control environments exist within municipalities and municipal entities.

Municipalities and municipal entities need appropriate, reliable and secure computer systems in order to effectively manage their finances and to maintain adequate financial records for the preparation of financial statements. They also need to effectively manage information technology (IT) to ensure uninterrupted service delivery and continuity of business operations. Decisive action should be taken by the coordinating ministries (DPSA, CoGTA and National Treasury), the SITA and provincial oversight structures to address the high level of exposure and vulnerability identified during the audit of IT at municipalities and municipal entities.

Municipalities and municipal entities require action plans that are supported by the leadership, implemented by management and monitored by those charged with governance in order to improve the three facets of their audit outcomes. The AGSA's assessment at the time of the audit was that intervention was required in order to put adequate action plans in place at a significant proportion of the 120 auditees whose financial statements were disclaimed or who received adverse or qualified opinions. Equally worrying was the fact that less than half of the auditees whose financial statements were financially unqualified had specific action plans in place to address findings on predetermined objectives, while only a slightly higher proportion had action plans to address compliance findings. At the time of the audit, specific plans to improve human resource management, key to improved audit outcomes, required either intervention or close monitoring at a significant number of auditees.

The AGSA has since March 2011 engaged provincial role players as well as national key role players (including CoGTA, National Treasury, the Presidency and SALGA) on key risks and the nine specific focus areas where their contributions to improved audit outcomes in local government can be further enhanced. These focus areas include auditees with issues relating to funding of operations, financial sustainability and going concern. Coordinating ministries may need to ascertain whether their existing and planned initiatives are likely to have the desired impact on audit outcomes as, at the date of this report, the nine focus areas had not all been addressed in the initiatives identified by role players.

I wish to thank the audit teams from my office and the audit firms that assisted with the audit of local government for their diligent efforts towards fulfilling our constitutional mandate and the manner in which they continue to strengthen cooperation with the leadership of the provincial portfolios.

Together, we will continue to collaborate in order to accelerate the implementation of actions and contribute towards strengthening our country's democracy.

Auditor-General

Auditor-General
June 2011



SECTION 2: AUDIT OUTCOMES

Local government comprises six metros, 46 district municipalities and 231 local municipalities¹. This report provides an overview of audit outcomes-related information contained in the general reports of each province.

2.1 Highlights of audit outcomes

The table below summarises the 2009-10 audit outcomes of 237 (84%) municipalities and 49 (91%) municipal entities whose audits were finalised by 31 January 2011. The timely submission of financial statements for audit and the effect on comparisons with the previous year and on national and provincial trends are discussed under paragraph 2.1.2 of this report.

Table 1: Summary of audit outcomes

Audit outcomes	Municipalities		Municipal entities	
	2009-10	2008-09	2009-10	2008-09
Disclaimer of opinion	53	103	5	8
Adverse opinion	7	10	0	0
Qualified opinion	50	50	5	4
Financially unqualified report with findings on predetermined objectives and/or compliance with laws and regulations*	120	113	29	42
Financially unqualified report with no findings on predetermined objectives or compliance with laws and regulations *	7	4	10	1
Total number of audits reported on	237	280	49	55
Number of audit reports not issued by 31 January 2011	46	3	5	1
Total number of audits	283	283	54	56
Total number of entities in which findings arose from the AGSA's other legal reporting responsibilities:				
Predetermined objectives	219	256	27	32
Compliance with laws and regulations	224	231	38	47

* For the remainder of this analysis outcomes in these categories are simply referred to as "with findings" or "with no findings".

The overall position depicted above was as a result of improvements, regressions and unchanged audit outcomes compared to the 2008-09 financial year, as shown in tables 2 and 3, below.

¹ In the case of 34 municipalities that control 54 municipal entities, the audits are conducted on their consolidated financial statements.



Table 2: Movements in audit outcomes – Municipalities



















	Improvement	Unchanged	Regressed	Total reported on	Prior year opinion on audit outstanding 2009-10
Disclaimer/Adverse		 52	 8	60	33
Qualified	 26	 18	 6	50	5
Financially unqualified with findings*	 26	 93	 1	120	7
Financially unqualified with no findings*	 5	 2		7	1
Total	57	165	15	237	46

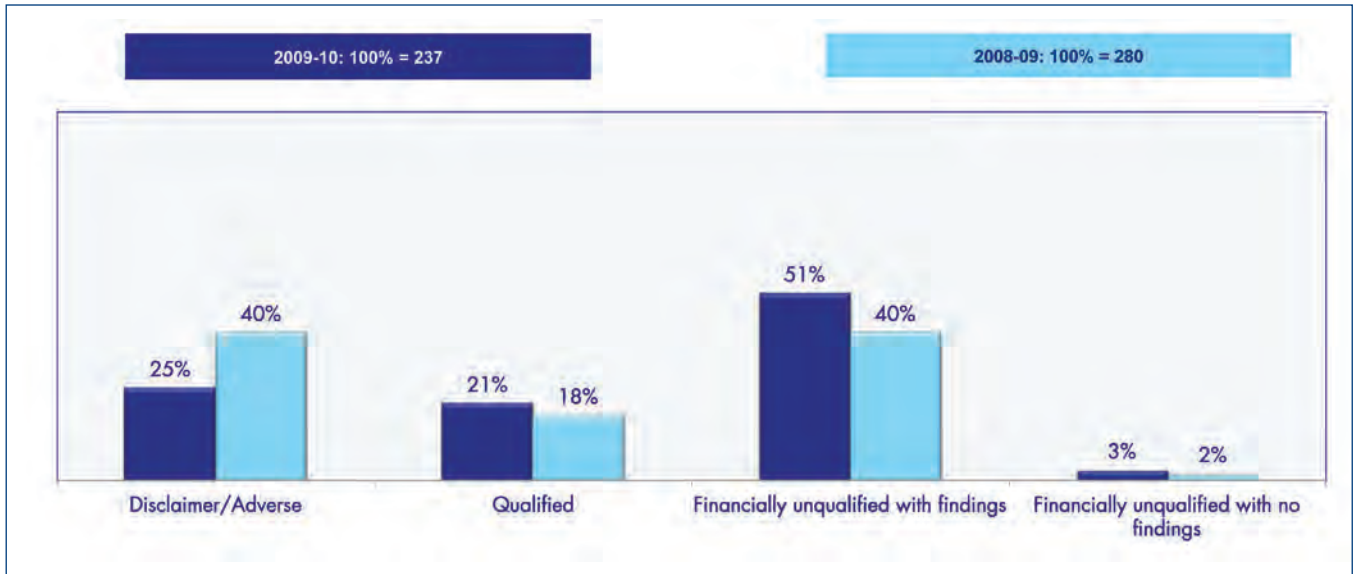
Table 3: Movements in audit outcomes – Municipal entities

	Improvement	Unchanged	Regressed	New municipality entities	Total reported on	Prior year opinion on audit outstanding 2009-10
Disclaimer/Adverse		 4	 1		5	1
Qualified	 1	 3		1	5	
Financially unqualified with findings*	 1	 25	 1	2	29	3
Financially unqualified with no findings*	 10				10	
Total	12	32	2	3	49	4 + 1 outstanding since 2004-05 = 5



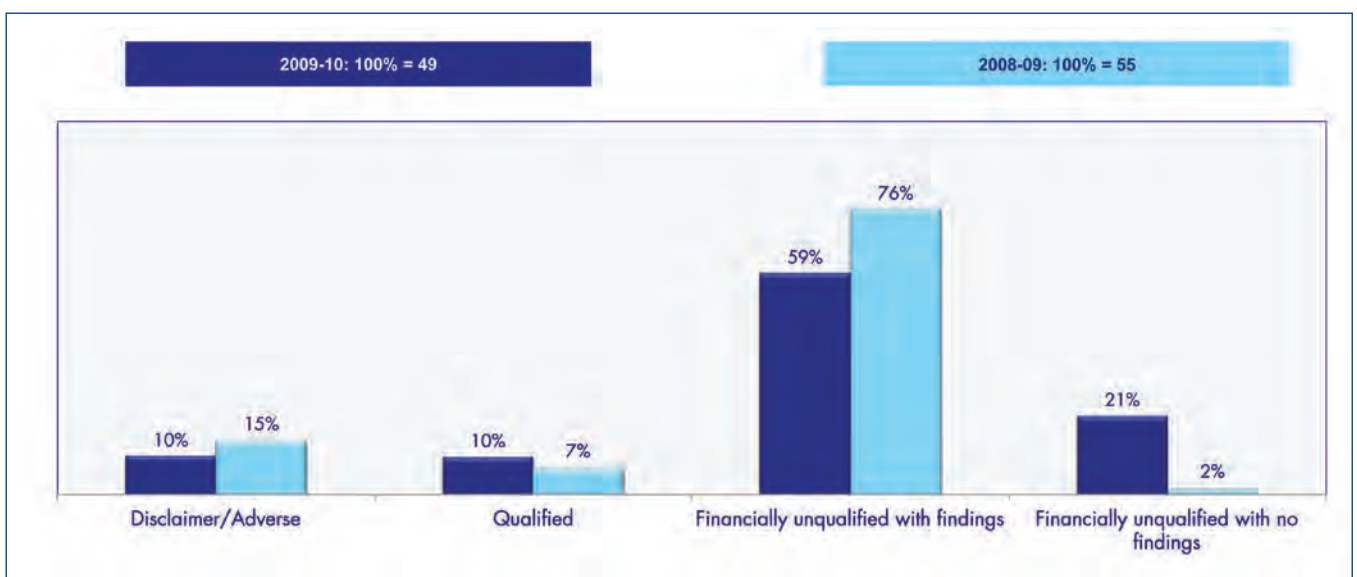
Figures 1 and 2 depict the outcomes of the audits of financial statements, while figures 3 and 4 provide a provincial analysis of the audit outcomes for municipalities and municipal entities. Figures 5 and 6 present an analysis of findings arising from the audit of reporting on predetermined objectives and compliance with laws and regulations for municipalities and municipal entities, respectively.

Figure 1: Analysis of audit outcomes – Municipalities (based on consolidated financial statements where applicable)



The figure above includes the audit outcomes of 27 out of the 34 municipalities whose financial statements have been consolidated with the financial statements of municipal entities under their control. The next figure reflects the 2009-10 audit outcomes of municipal entities.

Figure 2: Analysis of audit outcomes – Municipal entities



A provincial analysis of the 2009-10 audit outcomes of all auditees is presented below.



Figure 3: Provincial analysis of audit outcomes – Municipalities

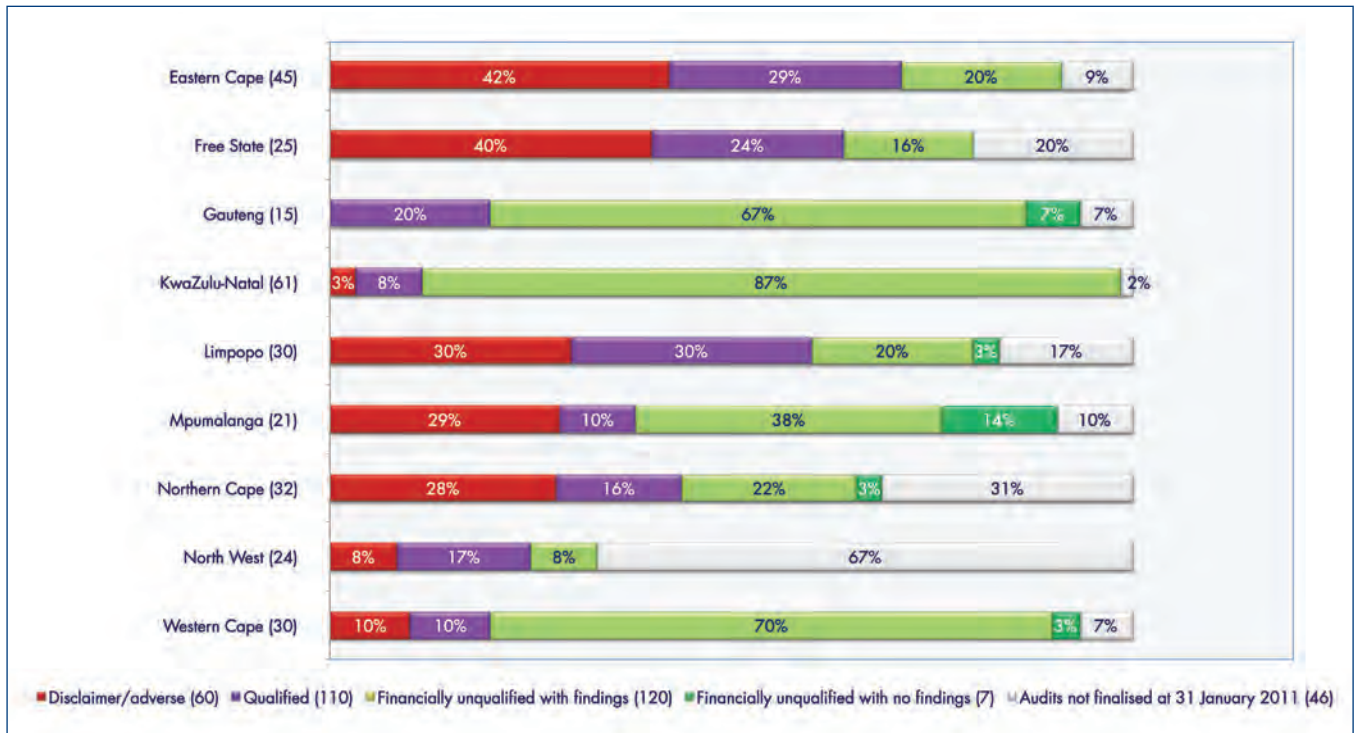


Figure 4: Provincial analysis of audit outcomes – Municipal entities (applicable provinces)



The improvements, regressions and unchanged audit outcomes analysed above produced the results as reflected in Table 4 for the individual provinces.

Table 4: Salient aspects of provincial audit outcomes

Movement	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape	Total
Increase in number disclaimers/adverse	4		1		1	2			2	10
Repeat disclaimers/adverse	15	13	1	2	8	4	9	2	1	55
Increase in number qualified	7	6	3	3	5	1	4	2	3	34
Repeat qualified	8	1	1	2	5	1	1	2		21
Reduction in disclaimers/adverse/qualified	3	3	3	9	4	3	3			28
Financially unqualified with findings 2008-09	27%	10%	78%	75%	28%	43%	13%	25%	82%	46%
Financially unqualified with findings 2009-10	26%	20%	62%	90%	26%	42%	32%	40%	72%	52%
Retained/progressed to financially unqualified with no findings	1	0	8	0	1	3	1	0	3	17
Total reported on	47	25	37	67	27	19	22	10	32	286
Audits outstanding 2009-10	5	6	3	1	5	2	10	17	2	51

Further highlights of the audit outcomes are detailed under paragraph 2.1.1.

Impact of outstanding audits on comparisons and trends presented in this report

A large number of audits (51) [46 (16%) municipalities and five (9%) municipal entities] are outstanding in the current year. Many of these outstanding auditees obtained disclaimed, adverse or qualified opinions for the 2008-09 financial year. This should be borne in mind in considering all the comparative statistics and analysis presented in this report, as they could have been significantly different had most of the audits been finalised at the date of this analysis. Two provinces (Northern Cape and North West) account for 53% (i.e. 10 and 17 respectively) of the audits not finalised by 31 January 2011. Tables 5 and 6 provides details of audits finalised between 1 February 2011 and the date of this report.



Figure 5: Analysis of municipalities with/without findings

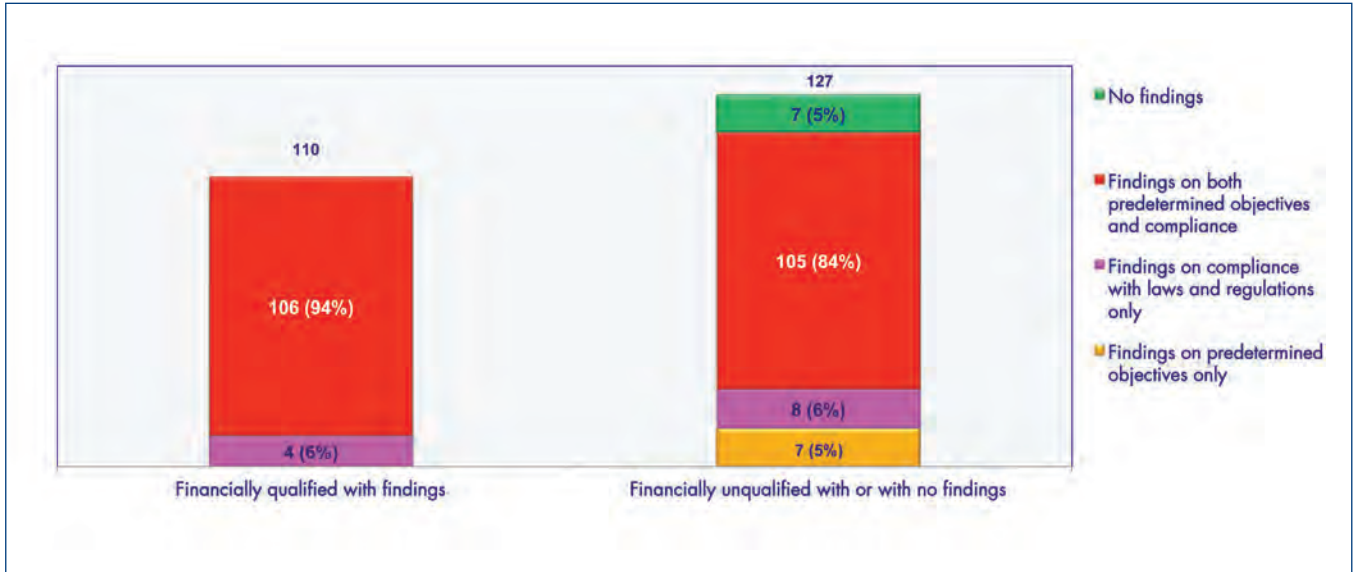
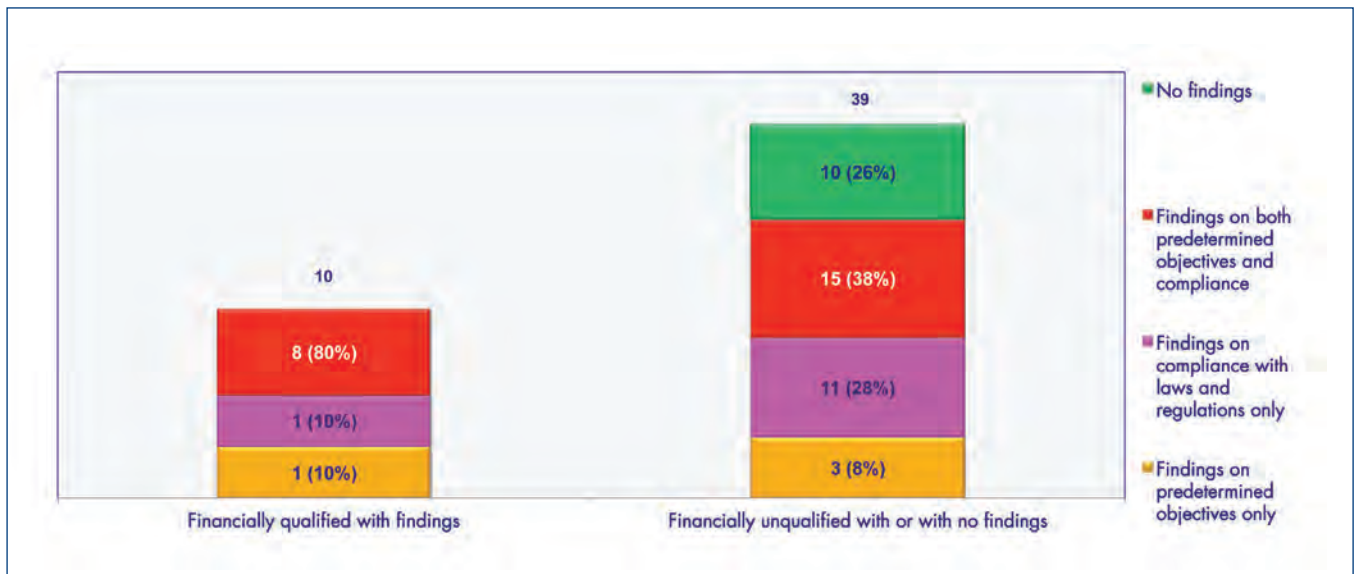


Figure 6: Analysis of municipal entities with/without findings



Findings on predetermined objectives are broadly analysed under paragraph 2.3 while auditees' compliance with laws and regulations is overviewed under paragraph 2.4

2.1.1 Highlights of audit outcomes for the year under review

Highlights and major trends of the audit outcomes for the year under review, with comparisons to previous audit outcomes, are presented below. Annexure 1 to this report lists the auditees together with their 2009-10 audit outcomes and those of the previous financial year.



Overall trends	<ul style="list-style-type: none"> • Fifty-seven (24%) municipalities improved on their 2008-09 audit outcomes, 15 (6%) regressed and 165 (70%) remained unchanged. • The audit outcomes of 12 (25%) municipal entities improved, two regressed (4%) and 32 (65%) remained unchanged.
Financially unqualified audit reports with no findings	<ul style="list-style-type: none"> • Three district municipalities, three local municipalities and 10 municipal entities (seven in Gauteng) obtained financially unqualified audit reports with no findings on either reporting against predetermined objectives or compliance with laws and regulations. • None of the municipalities or municipal entities in Free State, KwaZulu-Natal and the North West province obtained audit outcomes falling within this category.
Notable overall improvements	<ul style="list-style-type: none"> • The most notable overall improvements in audit outcomes at municipalities and municipal entities occurred in KwaZulu-Natal and Gauteng, which registered 12 and 11 improvements respectively.
Consolidated municipalities (including metros)	<ul style="list-style-type: none"> • Of the 27 consolidated municipalities reported on, only the City of Cape Town improved to financially unqualified with no findings. • The audit outcomes of three of the other four metros finalised remained unchanged (financially unqualified with findings), not having fully addressed deficiencies in their reporting on predetermined objectives and/or compliance with laws and regulations. Tshwane Metro improved from qualified to financially unqualified with findings. • Of the other consolidation municipalities, 19 (70%) were unchanged (three disclaimed/adverse, five qualified and 11 financially unqualified with findings) compared to the 2008-09 financial year, while two regressed and one improved.
Disclaimer, adverse or qualified audit reports	<ul style="list-style-type: none"> • The number of municipalities (including consolidations) that failed to obtain financially unqualified audit opinions improved by 32% from 163 in 2008-09 to 110 in the year under review to constitute 46% of audits completed at 31 January 2011. • Of the 110 municipalities that obtained disclaimed, adverse or qualified audit reports, 26 had progressed within these opinion categories, 15 had regressed from the previous year and 69 (63%) remained disclaimed, adverse or qualified. • A provincial analysis of progress in audit outcomes (or lack thereof) of these 110 municipalities is depicted in figure 7, while figure 8 analyses the audit outcomes of the 10 municipal entities that received disclaimed or qualified audit opinions.
Prior year qualification findings	<ul style="list-style-type: none"> • The 110 municipalities qualified in 2009-10 had 129 qualification findings addressed, while attracting 111 new qualification findings. A total of 414 were repeated qualifications.
Further qualification findings	<ul style="list-style-type: none"> • Of the 69 out of 110 municipalities (63%) that were again disclaimed, adverse or qualified, 31 (28%) municipalities attracted further qualification findings, while 21 (19%) had not addressed any of their 2008-09 qualification findings.
Repeatedly qualified auditees	<ul style="list-style-type: none"> • Thirty-eight municipalities and three municipal entities have received disclaimed/adverse audit reports for the past six and five years respectively. Eastern Cape (15), Free State (six), Limpopo (five) and the Northern Cape (10) account for 88% of such auditees. • Three municipalities have remained qualified for four consecutive years.
Financially unqualified, with / without findings	<ul style="list-style-type: none"> • In the current year, financially unqualified (i.e. with or without findings on predetermined objectives and compliance with laws and regulations) audit outcomes improved only marginally (4%) from 160 (2008-09) to 166 (2009-10).
Parent municipalities and entities under their control	<ul style="list-style-type: none"> • In respect of the financial statements of 14 (40%) parent municipalities, six were disclaimed and eight qualified. • Of the municipal entities controlled by these parent municipalities, four were financially unqualified with findings. • One municipal entity was financially unqualified with no findings.
No further progress towards clean administration	<ul style="list-style-type: none"> • Seventy-five municipalities had repeat findings on predetermined objectives and/or compliance with laws and regulations, while their financial statements were again financially unqualified. • The audit outcomes of these municipalities have therefore stagnated because they had failed to make progress over the past two years towards clean administration. • Furthermore, some of these municipalities have actually regressed during the year under review in that they attracted new findings on predetermined objectives reporting and/or compliance with laws and regulations.



Figures 7 and 8 provide a provincial analysis of auditees whose financial statements attracted disclaimers or adverse or qualified opinions.

Figure 7: Movements in audit outcomes of municipalities obtaining disclaimed/adverse or qualified opinions

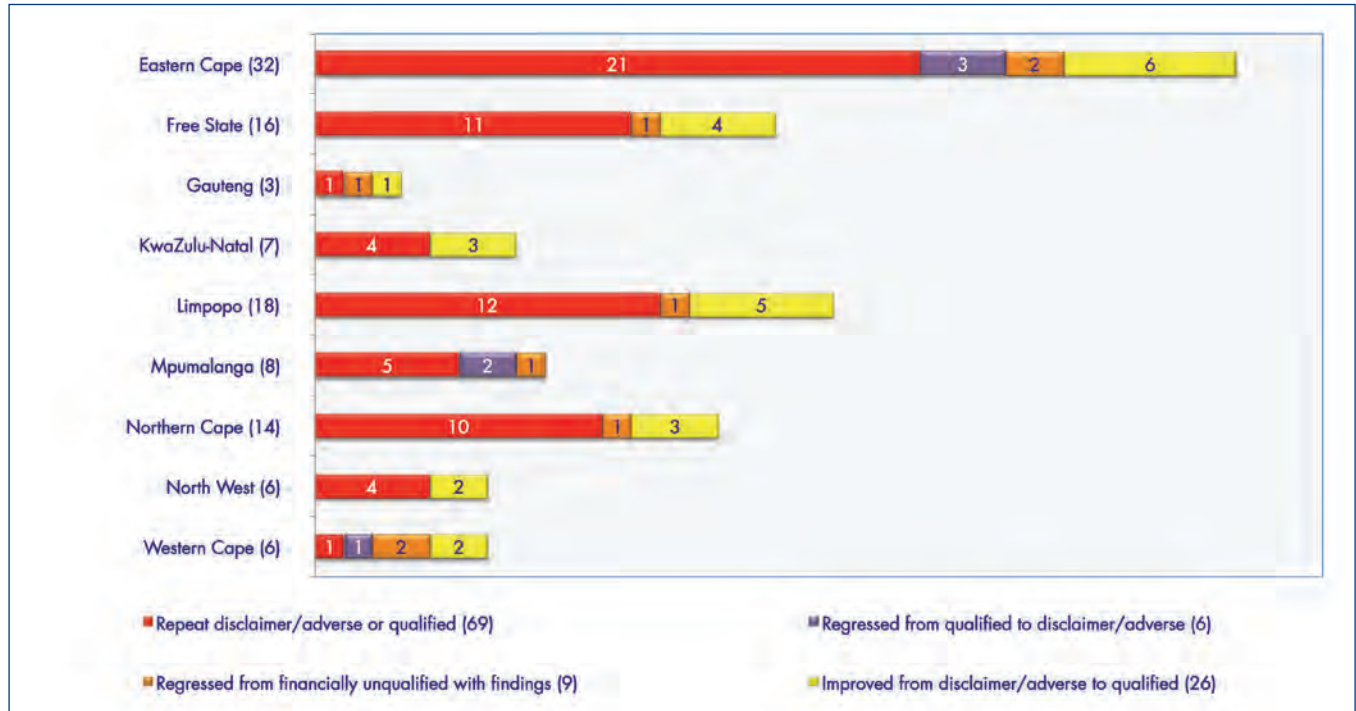
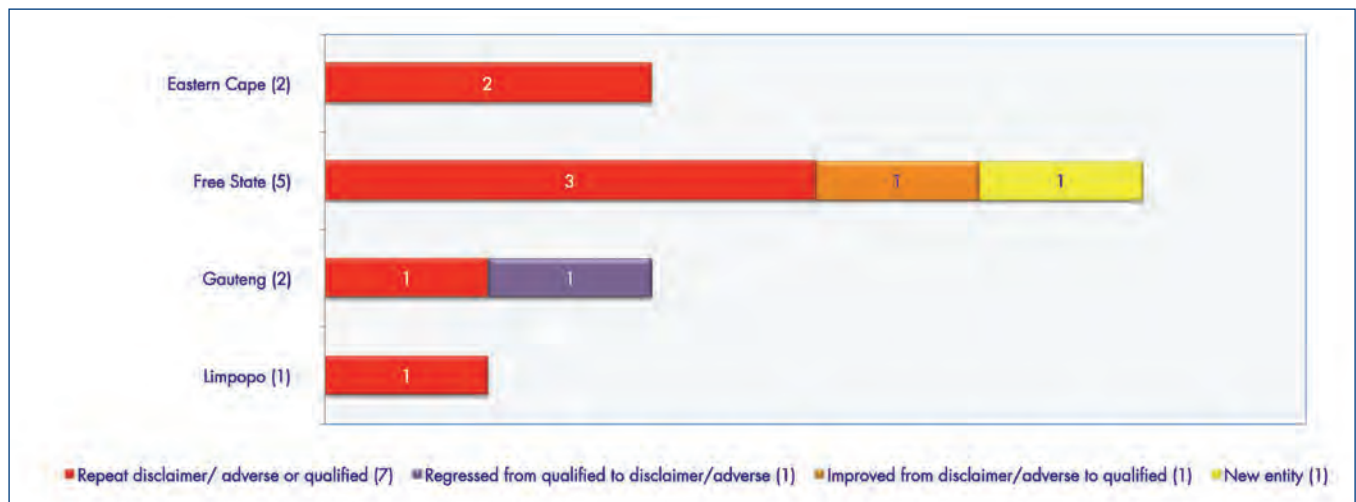


Figure 8: Movements in audit outcomes of municipal entities obtaining disclaimed/adverse or qualified opinions (applicable provinces)



Qualification findings are analysed under section 2.2.1 of this report.

2.1.2 Timeliness of submission of financial statements and the timeliness of the audit thereof

Municipalities and municipal entities are required by the MFMA to submit their financial statements for audit by 31 August and consolidated financial statements, where applicable, by 30 September.

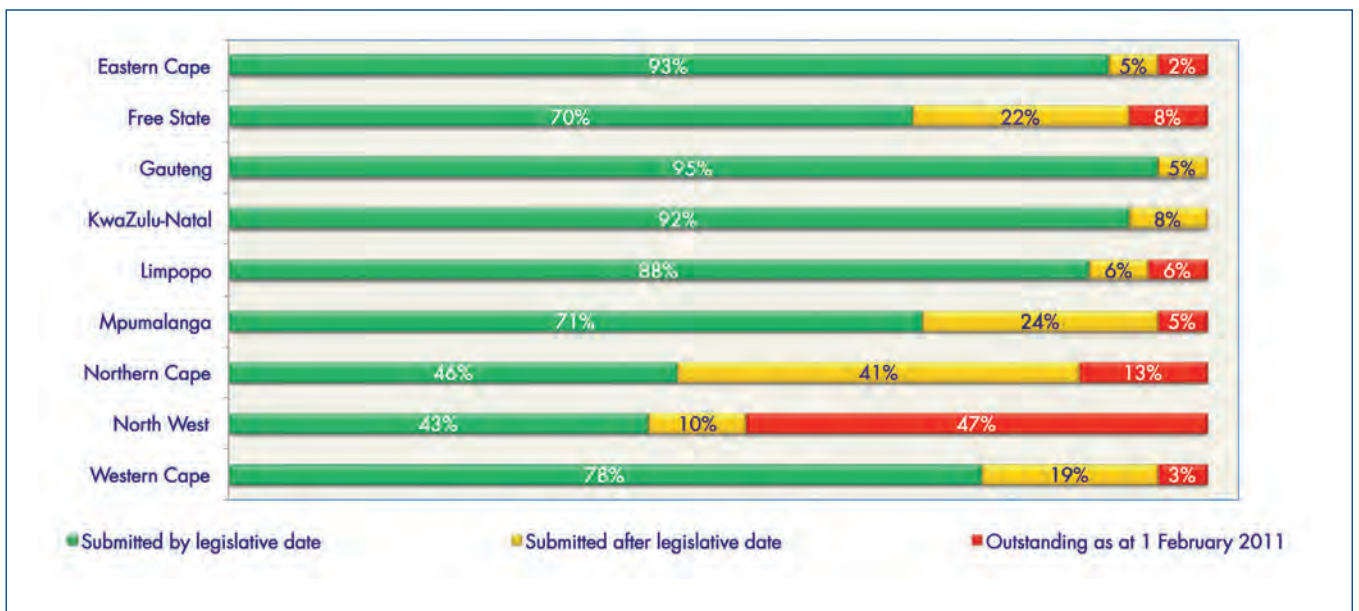
By the deadline of 31 August 2010, 227 (80%) municipalities [2008-09: 215 (76%)] and 52 (96%) municipal entities [2008-09: 46 (82%)] had submitted their financial statements for auditing. This represents only a 2% improvement (for municipalities) in timely submission compared to the 2008-09 financial year. A significant 20% of municipalities have still not been able to meet the legislative requirement of timely submission.

The AGSA is required to complete an audit within three months of receipt of financial statements. The audits of 268 (27 consolidated audits and 241 non-consolidated audits) (85%) municipalities and 49 (91%) municipal entities were completed by 31 January 2011. The reasons why 51 audits were not completed by 31 January 2011 are as follows:

- 1. AGSA internal quality assurance and monitoring processes 5 (10%)
- 2. Financial statements submitted after legislated deadline 24 (47%)
- 3. Financial statements not yet submitted for auditing 22 (43%)

The timeliness of submission by provinces of financial statements for audit is depicted below.

Figure 9: Provincial analysis of timeliness of submission of annual financial statements for audit



In most provinces, the AGSA issued section 133 letters in terms of the MFMA. These letters informed the respective speakers of the councils, the National Treasury, the MEC for Local Government and the MEC for



Finance of each province's auditees which had not submitted their financial statements for audit. In some instances financial statements were submitted by 31 August 2010, but were subsequently withdrawn due to poor quality.

2.1.3 Outcomes of audits finalised after 31 January 2011

From 1 February 2011 to the date of this general report (GR) a further 19 (17 municipalities and two municipal entities) audits were finalised. Their outcomes are reflected in the tables below.

Table 5: Outcomes of audits finalised after 31 January 2011 – Municipalities (not included in the trends analysed in this report)

Province	Audits outstanding as at 31 January 2011	Audit outcomes				Total number of audits finalised since 31 January 2011	Total number of audits outstanding at GR date
		Disclaimer/Adverse	Qualified	Financially unqualified with findings	Financially unqualified with no findings		
Eastern Cape	4	3	1			4	0
Free State	5	2				2	3
Gauteng	1		1			1	0
KwaZulu-Natal	1		1			1	0
Limpopo	5		2	2		4	1
Mpumalanga	2	1				1	1
Northern Cape	10	2	1			3	7
North West	16		1			1	15
Western Cape	2					0	2
Total	46	8	7	2	0	17	29
Total number of audits finalised by 31 January 2011	237	60	50	120	7	237	0
Outcomes of audits finalised at General Report date	283	68	57	122	7	254	29

Table 6: Outcomes of audits finalised after 31 January 2011 – Municipal entities (not included in the trends analysed in this report) (applicable provinces)

Province	Audits outstanding as at 31 January 2011	Audit outcomes				Total number of audits finalised since 31 January 2011	Total number of audits outstanding at GR date
		Disclaimer/ Adverse	Qualified	Financially unqualified with findings	Financially unqualified with no findings		
Eastern Cape	1					0	1
Free State	1					0	1
Gauteng	2		2			2	0
North West	1					0	1
Total	5	0	2	0	0	2	3
Total number of audits finalised by 31 January 2011	49	5	5	29	10	49	0
Outcomes of audits finalised at General Report date	54	5	7	29	10	51	3

Only provinces with outstanding audits are listed.

As is evident from the tables above, there were only two cases where management was able to remedy defects in their financial statements at the cost of not meeting the legislated deadline for submission of financial statements for audit.

2.2 Findings on financial management, including defects in financial statements

Matters relating to financial management presented in this analysis include progress (or lack thereof) made by municipalities and municipal entities in addressing prior year financial statement qualification findings, material errors and omissions in financial statements submitted for audit, financial statement-related assistance provided to auditees by consultants, material losses incurred by auditees, underspending by auditees against their votes and/or conditional grants and auditees facing financial sustainability concerns.

2.2.1 Financial statement areas attracting qualifications

Financial statements that attract adverse or qualified audit opinions contain misstatements that cause them not to fairly present the financial position at year-end or the financial results for the year then ended in one or more areas. Financial statements are disclaimed when the information requested was not presented to the auditors to enable them to arrive at an opinion thereon.

Of the audits completed at 31 January 2011, 110 out of the 163 (67%) municipalities did not address all of their 2008-09 qualification findings in order for their 2009-10 financial statements to be financially unqualified. The corresponding lack of progress for municipal entities is 10 out of 12 (83%). Some of the auditees had not addressed any of their 2008-09 qualification findings.



Figures 10 and 11 below depict the 2009-10 movements in the financial statement qualification areas for the municipalities and municipal entities that obtained disclaimed/adverse or qualified audit reports.

Figure 10: Progress made by auditees in addressing financial statement qualification findings (110 municipalities)

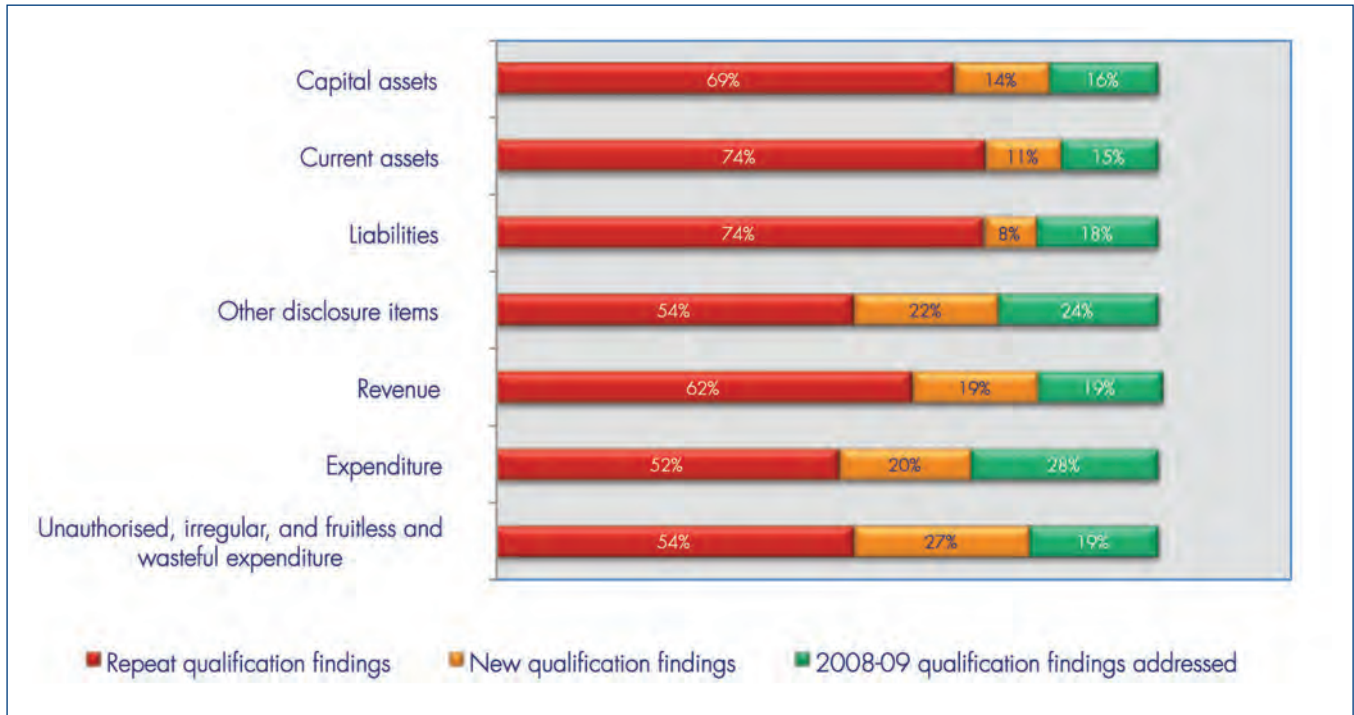
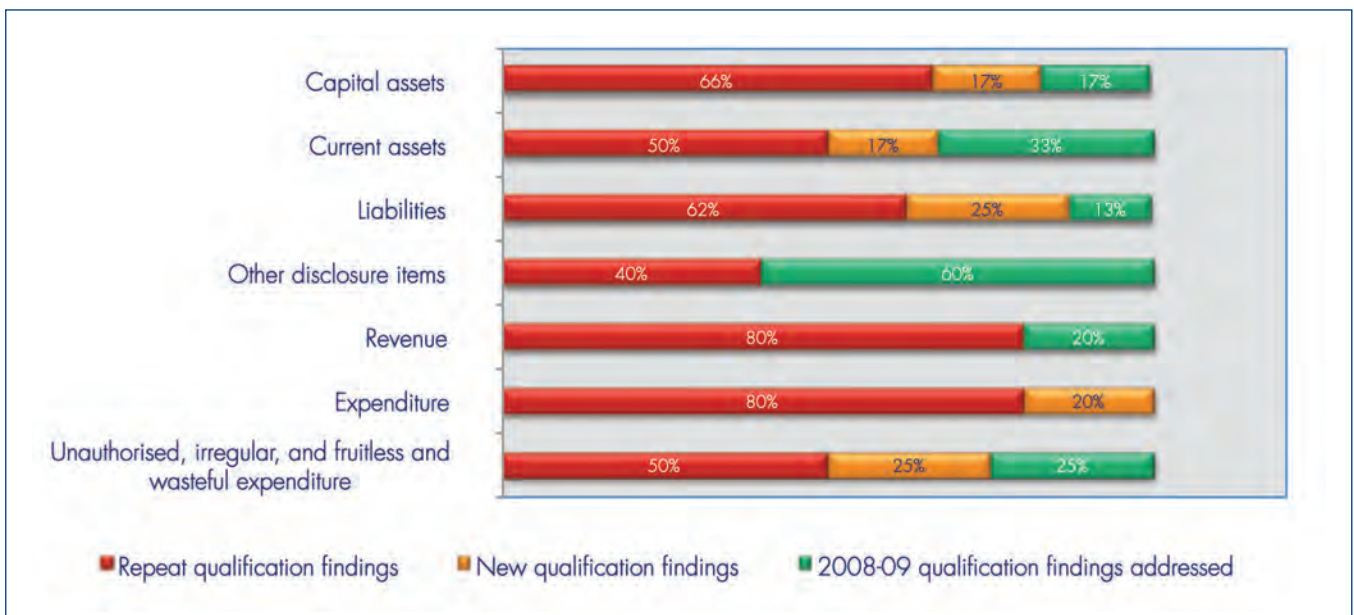


Figure 11: Progress made by auditees in addressing financial statement qualification findings (10 municipal entities)



Corrective action taken by management to address 2008-09 qualification findings

Limited progress in addressing qualification areas is depicted in the previous two figures. We have reflected on the initiatives undertaken by entities that were able to successfully address 2008-2009 audit findings with a view to highlighting good practice. This good practice can be replicated (where relevant) in entities that are beginning to address qualification areas from the current audit reports. For those municipalities and municipal entities that improved their audit outcomes, we found that improvements in audit outcomes can be attributed to corrective action taken by leadership and management, including the following:

- Leadership made themselves available and undertook to attend to audit issues and findings in a timely manner.
- Consultants were appointed to address deficiencies.
- Action plans were compiled to address previously reported issues and were monitored for progress.
- Management improved its record keeping/records management.
- Reconciliations, supporting schedules and information were prepared for all balances on the balance sheet.
- The audit team interacted very closely with management and with the audit committee to obtain the required information from their financial management systems, e.g. trial balance/general ledger.
- The AGSA audit teams worked with management to resolve technical qualifications on assets, VAT and provisions.
- Leadership intervened in respect of prior year qualifications and cooperated with the audit team to resolve current year audit queries.

Key drivers of improved audit outcomes are analysed under sections 3 and 4 of this report.

2.2.2 Defects in financial statements resulting in disclaimed, adverse or qualified audit opinions

In summary, financial statements that were subject to disclaimed, adverse or qualified audit opinions do not fairly present the financial position as at June 2010 or the financial results for the year then ended in one or more of the following ways:

Capital assets

87 municipalities (78%)	Addressed = 17	Repeat = 72	New= 15
5 municipal entities (50%)	Addressed = 1	Repeat = 4	New= 1

Common matters attracting qualifications include the following:

- Landfill site valuation and rehabilitation provisions (estimates) for the cost to rehabilitate the site to its original condition were not fair or adequate.
- Fixed asset registers did not contain sufficient information to physically identify assets that had been recorded or to apply the required accounting prescripts. In some instances the asset registers were incomplete.



Current assets

82 municipalities (75%)	Addressed = 14	Repeat = 71	New= 11
4 municipal entities (40%)	Addressed = 2	Repeat = 3	New= 1

Common matters attracting qualifications include the following:

- Consumer debtors and other receivables were not properly accounted for.
- The existence and value of inventory could not be substantiated due to poor records being maintained in respect of the location and value of such inventory. Some items of stock were excluded from the physical inventory count and at some municipalities no inventory counts were performed.
- Not all bank accounts in the name of the municipality were included in the financial statements.

Liabilities

81 municipalities (74%)	Addressed = 18	Repeat = 73	New= 8
7 municipal entities (70%)	Addressed = 1	Repeat = 5	New= 2

Common matters attracting qualifications include the following:

- Post-employment benefit plan liabilities for retired and current employees were not reflected in the financial statements or were incorrectly valued.
- Inadequate management of conditional grants expenditure.
- Understatement of amounts payable.

Other disclosure items

73 municipalities (66%)	Addressed = 23	Repeat = 52	New= 21
2 municipal entities (20%)	Addressed = 3	Repeat = 2	New= 0

Common matters attracting qualifications include the following:

Mandatory disclosures

- Financial statements under-reported or failed to disclose unauthorised, irregular, and fruitless and wasteful expenditure.
- Electricity and water distribution losses for the year were not disclosed or were under-reported.

Other disclosure items

- Accumulated surplus, changes to accounting policy, accounting estimates and prior period errors not disclosed as required by GRAP.
- Contractual commitments not disclosed.
- Leases incorrectly classified as operating leases instead of financial leases.
- Related parties not disclosed.



Revenue

74 municipalities (67%)	Addressed = 17	Repeat = 57	New= 17
4 municipal entities (40%)	Addressed = 1	Repeat = 4	New= 0

Common matters attracting qualifications include the following:

- Supporting documents not provided for revenue raised for service charges reflected in the financial statements.
- Service charges not in terms of approved tariffs and/or Municipal Property Rates Act.
- Services charged understated as consumers were not billed for services rendered.
- The valuation roll not updated with the most recent values and the billing system values and valuation roll.

Expenditure

61 municipalities (55%)	Addressed = 24	Repeat = 44	New= 17
5 municipal entities (50%)	Addressed = 0	Repeat = 4	New= 1

Common matters attracting qualifications include the following:

- Employee-related costs incorrectly reported or not substantiated.
- No supporting documents for other expenditure.

Unauthorised, irregular, and fruitless and wasteful expenditure

67 municipalities (62%)	Addressed = 16	Repeat = 45	New= 22
3 municipal entities (30%)	Addressed = 2	Repeat = 2	New= 1

Qualifications regarding unauthorised expenditure related to overspending on various votes and a lack of appropriate documentation of the amounts reflected in the financial statements. The qualification audit findings relate mainly to inadequate systems to record, account for and monitor spending in terms of legislated SCM processes.

2.2.3 Material misstatements in financial statements submitted for audit

Section 122 of the MFMA requires municipalities and municipal entities to submit for audit annual financial statements that fairly present their state of affairs, their performance against budget, their management of revenue, expenditure, assets and liabilities, their business activities, financial results, and their financial position as at the end of the financial year. Financial statements submitted for audit are therefore required to be free from material misstatements (i.e. material errors or omissions).

We highlight hereunder some data relating to the quality of first-time submission of financial statements. The audit process is not a substitute for proper internal controls over the review of submitted financial statements. This data therefore serves as a key indicator of the capacity and diligence of municipalities in respect of first-

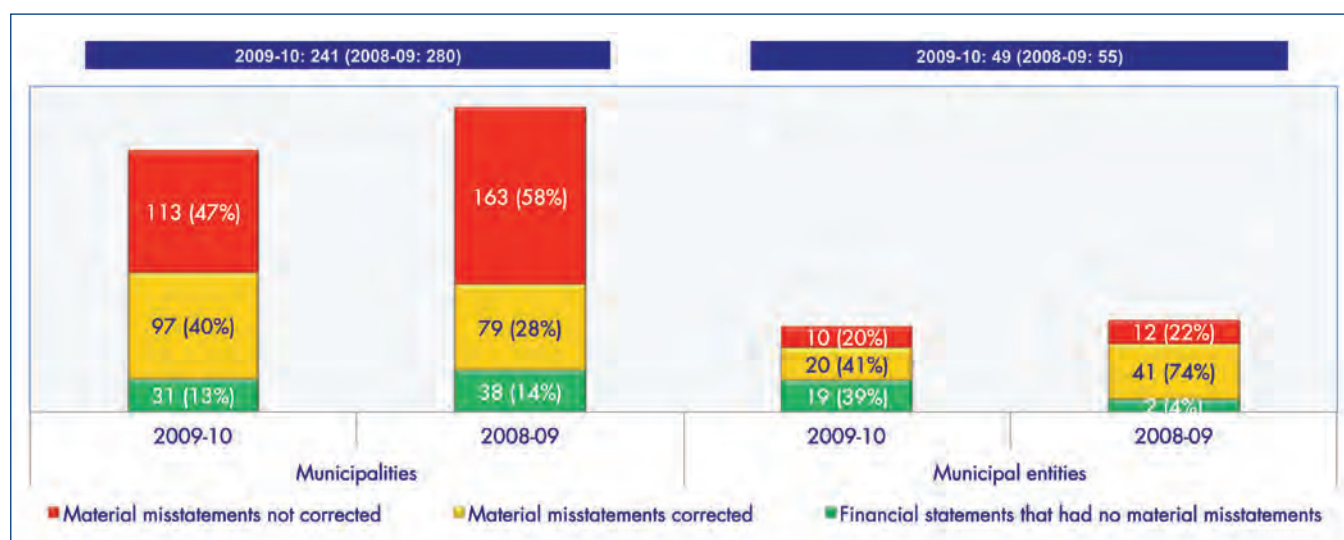


time accurate financial reporting, and the experience of municipalities in correcting material misstatements where the first-time submissions were assessed by the auditors to be deficient.

- The financial statements of only 49 municipalities (2008-09: 34) and 27 municipal entities (2008-09: 12) submitted for audit by 30 June 2010 were free from material misstatements. This implies that a significant number of municipalities require assistance in the preparation of their financial statements and a substantial proportion of these still require correction during the audit to avoid qualification.
- One hundred and eighty-eight (79%) [2008-09: 246 (88%)] municipalities and 22 (45%) [2008-09: 43 (78%)] municipal entities submitted financial statements for audit that contained material errors or omissions or did not meet the applicable accounting standards.
- Of the audits completed by 31 January 2011, only Gauteng, Mpumalanga and the Western Cape showed a reduction, compared to the previous financial year, in the number of financial statements submitted for audit containing material misstatements.
- Provinces with the highest proportion of corrected material misstatements were the Eastern Cape (100%), Free State (100%), KwaZulu-Natal (93%), Limpopo (93%) and North West (80%).
- In many instances (43%) management made the required corrections to the financial statements during the audit. In this way, 78 municipalities and 12 municipal entities avoided their financial statements being financially qualified. Material misstatements not corrected resulted in qualified audit opinions.
- Material misstatements could have been detected by auditees had the financial statements been prepared in accordance with the applicable financial reporting frameworks and had they been adequately reviewed by management and those charged with governance.

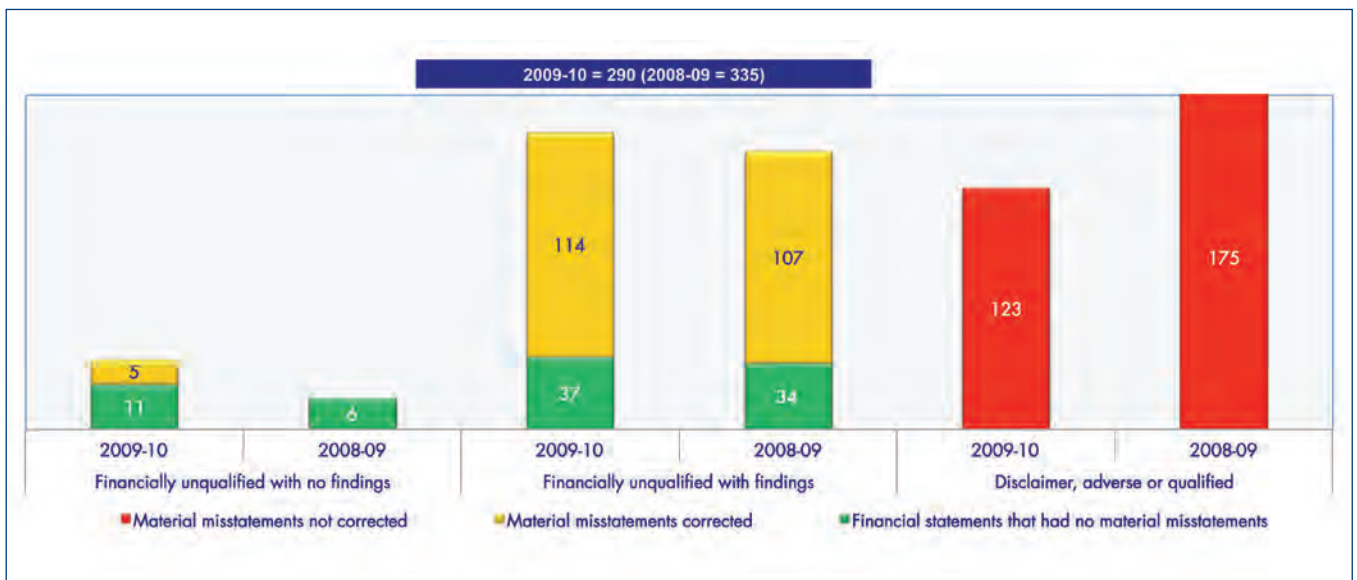
The figure below indicates the extent of material misstatements present in the financial statements submitted for audit and subsequently corrected by management as a result of audit findings. Where material misstatements were not corrected, the financial statements were qualified.

Figure 12: Material misstatements corrected by management during the audit – Municipalities and municipal entities



The effects of management being given an opportunity to correct material misstatements identified during the audit are reflected in the figure below.

Figure 13: The effects on audit outcomes of management correcting material misstatement in financial statements submitted for audit – Municipalities and municipal entities



2.2.4 Financial statement-related assistance provided by consultants to municipalities and municipal entities

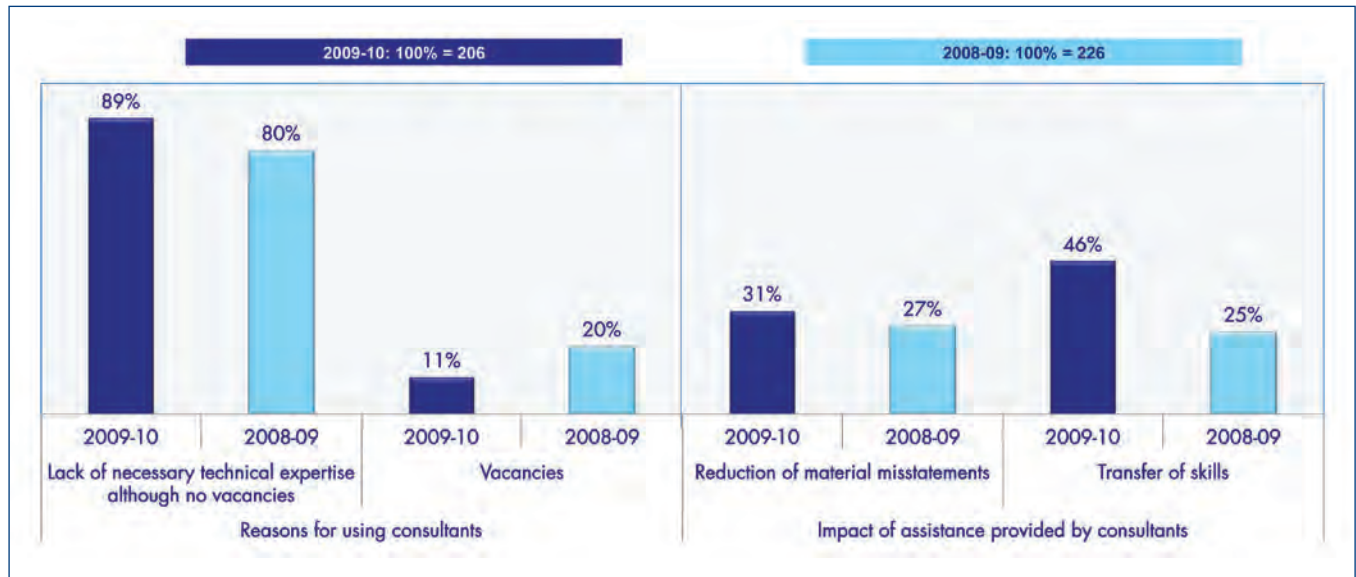
As in previous financial years, municipalities and municipal entities continue to engage the services of consultants to assist them with accounting-related services and the preparation of financial statements for audit.

- Of the 286 municipalities and municipal entities analysed, close to three out of every four (206 = 72%) were assisted by consultants, indicating the high dependence on consultants.
- Based on the incomplete available information, the cost to municipalities of consultants/consultancies is estimated to have exceeded R237 million for the 2009-10 financial year, at an average in excess of R1 million per municipality.
- No vacancies existed in the finance departments of 90% of the entities which enlisted the assistance of consultants. This indicates that although staffing is seemingly adequate in terms of filling the number of vacant posts, the level of skill of these incumbents needs to be addressed.
- Auditees in all nine provinces used consultants, ranging from 43% of auditees in Gauteng to 91% of auditees in the Northern Cape.

The most common reasons why consultants were engaged and the impact of their assistance, as a percentage of the municipalities and municipal entities are depicted in the figure below.



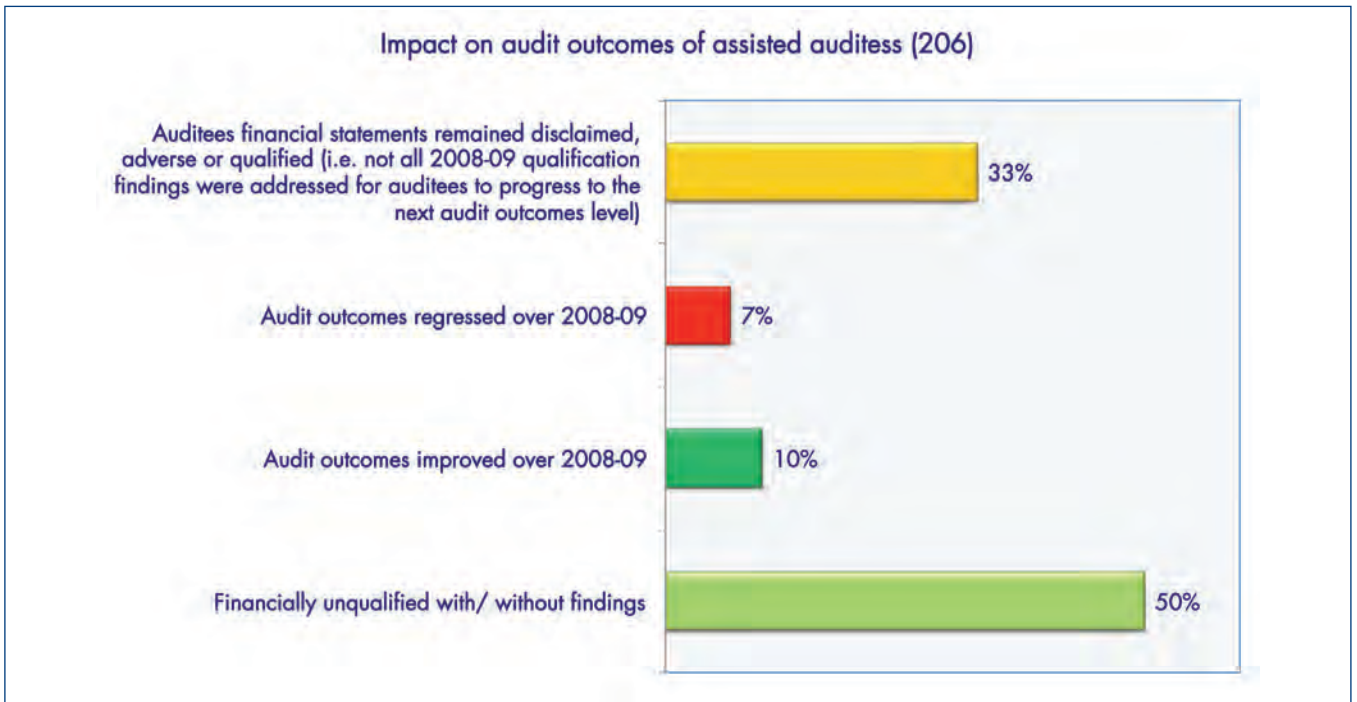
Figure 14: Assistance by consultants – Municipalities and municipal entities



Our analysis of the use of consultants and their impact on current year and future audit outcomes resulted in the following conclusions:

- The skills level and experience of staff appointed to finance departments, especially in relation to the compilation of financial statements that comply with Generally Recognised Accounting Practice (GRAP), are not adequate.
- Consultants are often appointed close to year-end and the audit of financial statements submitted identified material errors in the data used by or provided to consultants to prepare the financial statements.
- The impact of assistance provided by consultants, given the relatively small reduction in material misstatements in financial statements submitted for audit and low rate of skills transfer, raises further concerns regarding the sustainability of improved audit outcomes achieved this year.
- The transfer of skills reported in 2008-09 did not in all cases carry through to corresponding improvements in 2009-10.
- Not all improvements in audit outcomes (or the lack of improvement) can be directly attributed to the use of consultants as the contracted scope of work varies from one auditee to the next. However, the general impact on the 2009-10 audit outcomes is depicted in the following figure.

Figure 15: Analysis of audit outcomes-related aspects of auditees assisted by consultants



2.2.5 Material losses, material impairment of assets and underspending of the vote/conditional grants

Included in this analysis are matters which not relate to the fairness with which statements present the financial affairs of auditees at year-end, but which are indicative of weaknesses in the general management of the affairs of auditees and financial management in particular. These matters are material losses incurred, material impairment of assets and material underspending of the vote/conditional grants.

Material losses and material impairment of assets

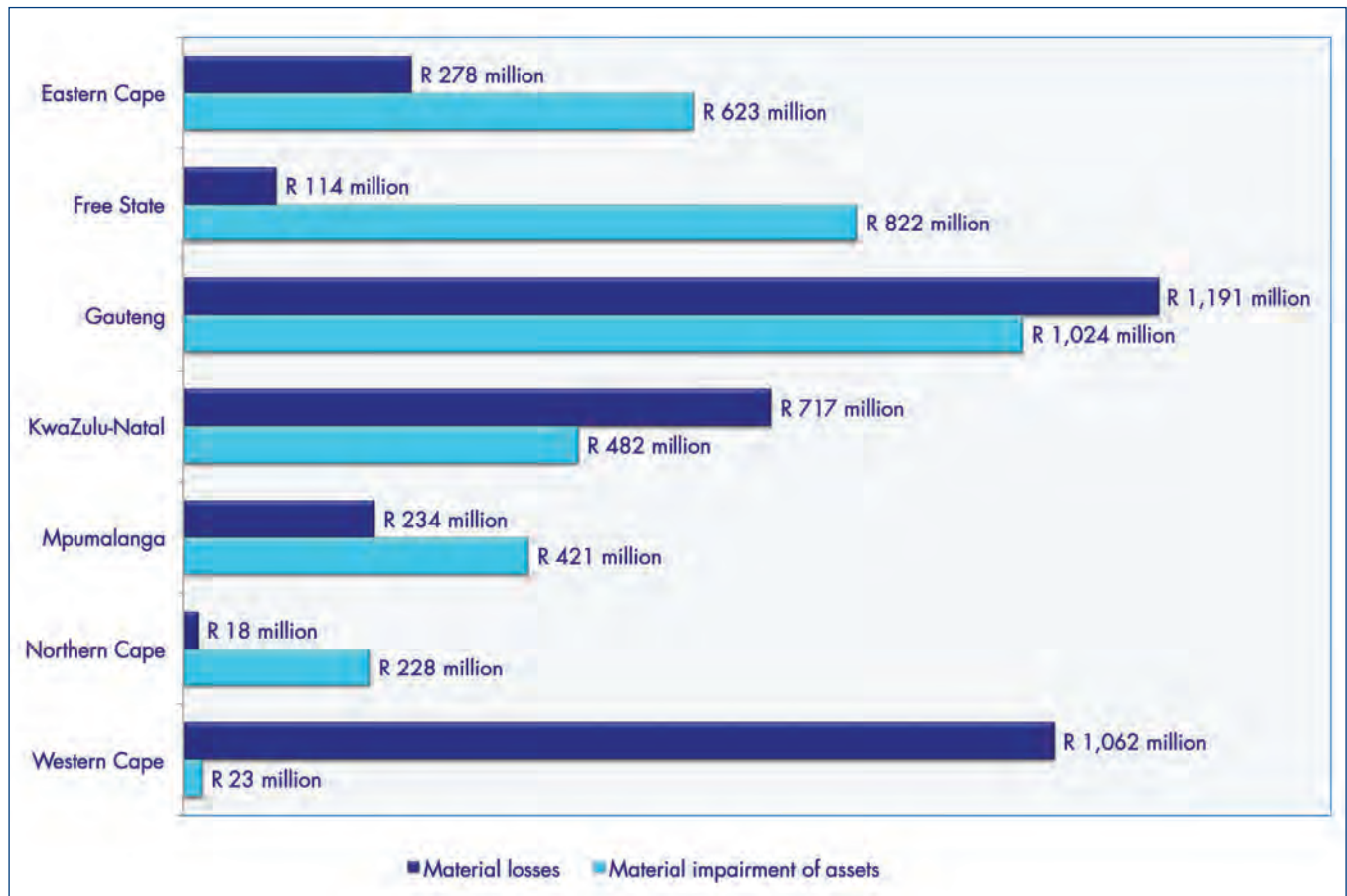
The MFMA requires municipalities and municipal entities to disclose in their financial statements material financial losses incurred as well as material write-downs made to the values at which their assets were originally recorded in the financial records. For the year ended June 2010, the following details were disclosed in financial statements:

- Sixty-six (23%) of auditees across seven provinces reported having incurred material losses while 46 (16%) needed to write off significant amounts owing by debtors and assets.
- Material losses sustained by auditees for the financial year amounted to approximately R3,5 billion and primarily resulted from water and electricity reticulation and distribution losses.

Financial statements of municipalities and municipal entities reflected material impairment of assets amounting to R3,6 billion. This primarily resulted from consumer debt written off and the writing down of the value placed on assets because the realisable value was less than the recorded book value.



Figure 16: Material losses and material impairment of assets – Municipalities and municipal entities (applicable provinces)



Material underspending of vote and conditional grants

Underspending of a municipal budget means that operational or capital expenditure incurred by the municipality during a financial year is below the total amount appropriated in that year’s budget for its operational or capital expenditure.

- Western Cape municipalities had the largest vote of all provinces. Five municipalities in that province in aggregate underspent R1,2 billion on their votes, amounting to a 6% underspend.
- Municipalities in provinces that recorded the highest underspending against their votes for the financial year were Eastern Cape (40%) and KwaZulu-Natal (28%).

The main reasons why municipalities underspend on votes include a lack of capacity to execute the relevant projects. Generally, housing projects, environment protection services, roads and transport as well as sport and recreation were impacted by such underspending.

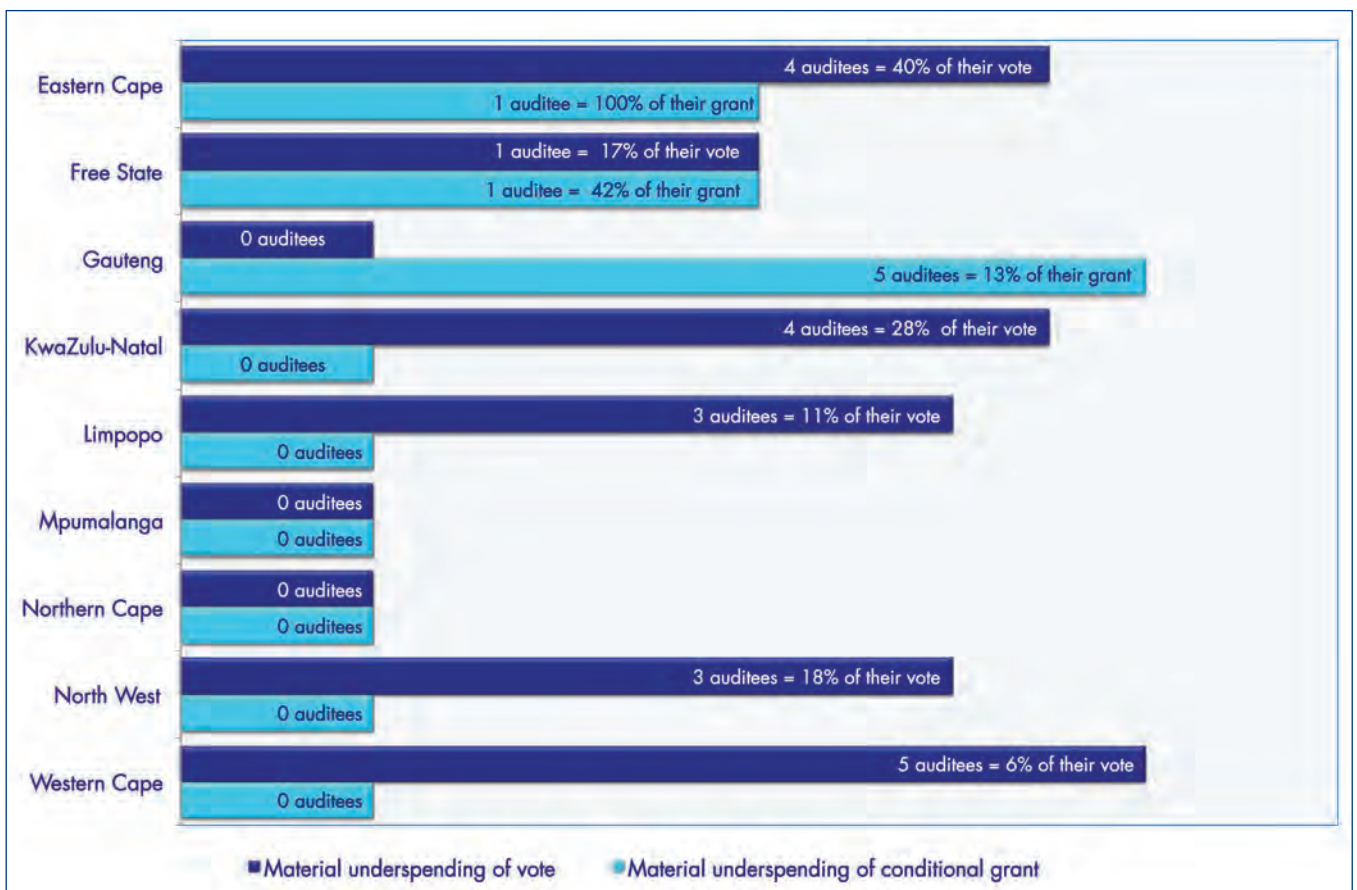
Underspending of a government grant means that operational or capital expenditure incurred by the municipality during a financial year is below the total amount of the grant or allocation.

- The areas of underspending for the year ended June 2010 included infrastructure assets, repairs and maintenance, waste water management, road transport and housing projects.
- Gauteng municipalities had the largest conditional grant allocation of all provinces and underspent by R692 million (13%). Municipalities in the Eastern Cape, Free State and Gauteng also underspent on their conditional grants, primarily infrastructure grants.

Some matters that resulted in conditional grants being underspent relate to challenges faced in gaining access to townships for the implementation of various service delivery projects and infrastructure development. In some instances, land for the water project was not available to implement projects for waste water management and road transport. Civil and technical services in certain instances suffered as a result of delays in work on the emergency sewerage water recycling pipelines and in some cases no capital projects could be implemented.

The extent of underspending for the year under review is depicted below.

Figure 17: Material underspending of vote and material underspending of conditional grants – Municipalities and municipal entities



2.2.6 Municipalities and municipal entities with issues relating to funding of operations/financial sustainability/going concern

Concerns regarding the funding of operations/financial sustainability were identified at 52 (22%) municipalities and 16 (33%) municipal entities in all provinces (2008-09: 68). The provision of essential



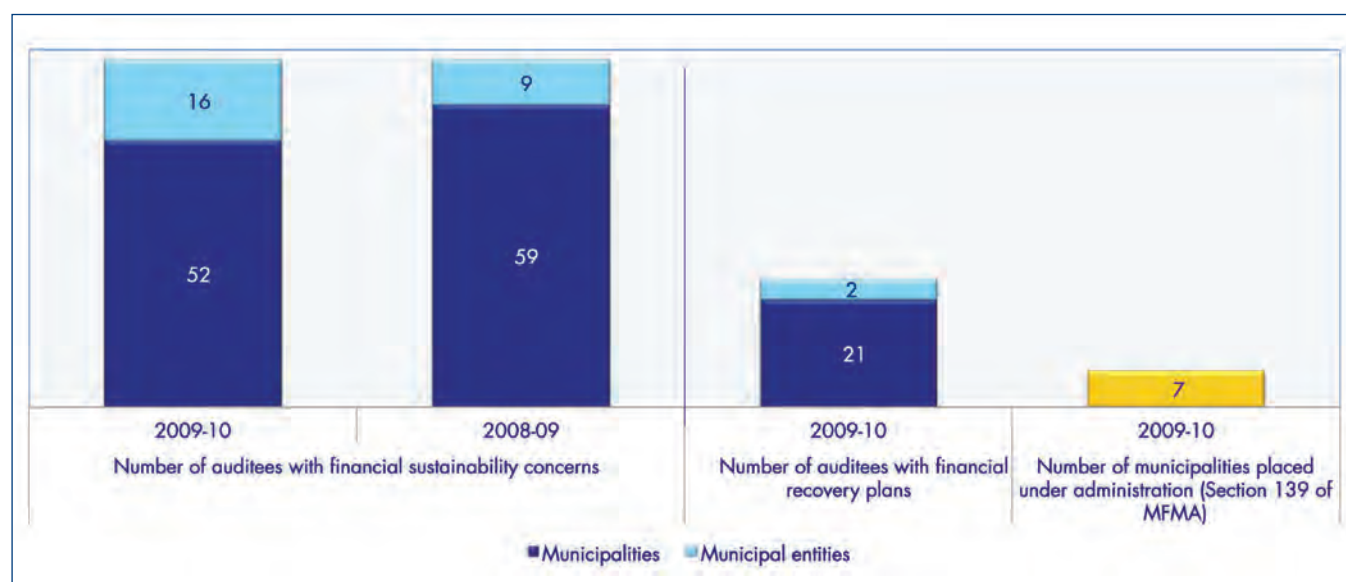
services and maintenance of basic infrastructure will be severely disrupted in the affected communities, unless effective and timeous interventions are made at these entities.

At the time of the audit not all of these entities had financial recovery plans in place (figure 18, below) while some municipalities and municipal entities have to address more than one threat to their financial sustainability (tables 7 and 8).

- These comprise one metro (Nelson Mandela Bay), five district municipalities and 46 local municipalities. Eastern Cape (12), Free State (eight) and KwaZulu-Natal (11) account for 60% of all cases. This represents 29%, 40% and 18% of the municipalities in the respective provinces.
- Sixteen (32%) municipal entities have funding concerns, the majority of which are in the Eastern Cape (four) and Gauteng (eight).
- Ekurhuleni Metro is the parent municipality of five of the municipal entities with financial sustainability concerns while the City of Tshwane Metro is the parent municipality of two such municipal entities.
- Only 40% and 13% of these municipalities and municipal entities, respectively, have financial recovery plans that are being implemented with the assistance of provincial CoGTAs and monitored by the Premier's Joint Coordinating Forums.

Provincial departments of CoGTA and provincial treasuries are providing assistance with the implementation of turnaround plans for some of these municipalities and municipal entities.

Figure 18: Municipalities and municipal entities with funding/financial sustainability concerns



The broad causes of financial sustainability concerns are depicted in the following tables.

Table 7: Analysis of funding or going concern issues – Municipalities

Province	High reliance on grants/ Own revenue generated not sufficient to cover operating costs	Serious challenges being experienced in the recovery of consumer debtors	No cash for unspent grants	Disestablishment/ liquidation	Current liabilities exceed current assets	Significant financial challenges	Number of auditees
Eastern Cape	4	3	1		8	5	12
Free State	2	7	1	1	4	1	8
Gauteng				3	1	3	4
KwaZulu-Natal	2	1	6		7	1	11
Limpopo			2		3	1	3
Mpumalanga	1	1	0			3	4
Northern Cape	7	8	3		6		8
North West					1	1	1
Western Cape					1		1
Total	16	20	13	4	31	15	52

Not a significant threat

Table 8: Analysis of funding or going concern issues – Municipal entities (applicable provinces)

Province	High reliance on grants/Own revenue generated not sufficient to cover operating costs	Disestablishment/ liquidation	Current liabilities exceed current assets	Significant financial challenges	Number of auditees
Eastern Cape	4		2		4
Free State			2	1	2
Gauteng	5	1	6	2	8
Limpopo			1		1
North West			1	1	1
Total	9	1	12	4	16

Not a significant threat

2.2.7 Way forward on audit outcomes and financial management

Unfavourable audit outcomes and the various financial management matters should be addressed as follows:

- At the time of the audit, action plans to address qualification findings were either in progress or required intervention at 90% of auditees whose financial statements were financially qualified. The development, implementation and monitoring of such action plans should be prioritised by the council, mayors and audit committees in order to avoid repeat findings. The status of action plans for all auditees is reflected in annexure 5 to this report.



- The preparation of a full set of financial statements for every quarter of the financial year and the independent review thereof by audit committees would be required to prevent material misstatements in financial statements only being detected and corrected during the audit.
- Municipal managers need to increase their monitoring of the work of consultants to ensure that they do indeed transfer skills and knowledge to the finance staff members, with the specific objective of reducing dependency on external assistance. Further, municipal leadership should assess whether the repeated use of consultants for accounting-related services is the most cost-effective way of acquiring and retaining skills that are fundamental to financial reporting. Management should improve the effective use of consultants by introducing specific measures to ensure the accuracy, reliability and relevance of information provided to consultants with regard to the financial statement areas where they render assistance.
- Councils and mayors need to continually assess the adequacy of measures relied on by municipal management to prevent material losses and the write-off of amounts owed by debtors. Regular reviews of actual versus budgeted spending are required to reduce the level of underspending against votes and of grants.
- Section 3.3 and 3.4 outlines action planned by provincial and national role players to improve audit outcomes and financial management. Nine specific focus areas have been identified, which include monitoring of turnaround plans for those municipalities and entities facing financial sustainability challenges.

2.3 Findings on reporting on predetermined objectives

2.3.1 Overview of the AGSA's approach to the audit of predetermined objectives

All municipalities and municipal entities that receive funds for a public purpose are required to report against their predetermined objectives (service delivery) and to submit such annual performance reports for auditing, together with the annual financial statements. The objective of an audit of predetermined objectives is to enable the auditor to conclude whether the reported performance against those predetermined objectives is reliable, accurate and complete, in all material respects, based on predetermined criteria.

The AGSA has since the 2005-06 financial year been gradually phasing in and explaining to leaders within all spheres of government the importance of lending credibility to published service delivery information through the auditing thereof. During the year under review a separate audit conclusion, based on the results of the audit of predetermined objectives, was included in the management reports of only metropolitan councils and their related entities. However, these conclusions have not yet been elevated to the level of the auditor's report.

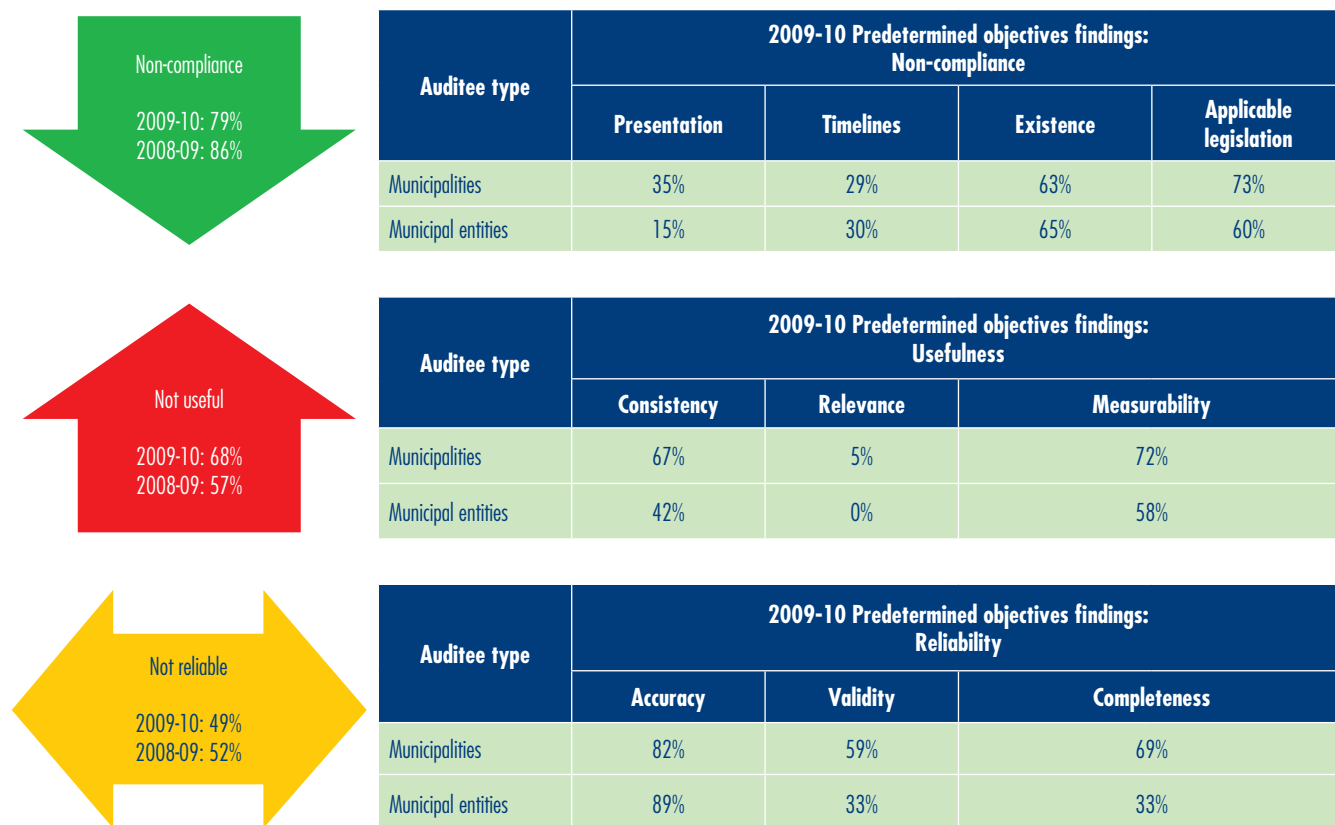
2.3.2 Overall findings arising from the audit of reporting on predetermined objectives

Significant trends arising from the audit of reporting on predetermined objectives for the year under review are as follows:

- Auditees submitting their annual performance reports on service delivery for audit increased to 77% (2008-09: 63%), an overall 14% increase over 2008-09.
- Findings on predetermined objectives were raised at 219 out of 237 (92%) municipalities [2008-09: 257 of 280 (92%)] and at 27 out of 49 (55%) municipal entities [2008-09: 30 of 55 (55%)].
- The annual performance reports of 112 (93%) municipalities whose financial statements were financially unqualified attracted findings due to such reports not meeting the regulatory requirements and/or information not being useful and/or the contents not being reliable.
- Only 18 municipalities (8%) and 22 (41%) municipal entities produced annual performance reports that satisfied regulatory requirements and were both useful and reliable. None of the municipalities in the Eastern Cape, Free State and North West produced such reports, while municipalities in KwaZulu-Natal, Northern Cape and Western Cape could each produce only one.
- Fourteen municipalities and nine municipal entities addressed all their 2008-09 findings on reporting against predetermined objectives, while 15 municipalities and 13 municipal entities attracted findings for the first time.
- A total of 204 (86%) municipalities and 14 (29%) municipal entities did not address some of the previous findings on their reports on predetermined objectives.

A summary of the regulatory requirements and/or criteria not met by auditees is provided under the figure below.

Figure 19: Overall analysis of findings on predetermined objectives – Municipalities and municipal entities



Tables 9 and 10 provide a provincial analysis of findings raised during the audit of predetermined objectives at municipalities and municipal entities. Trends are analysed thereafter.

Table 9: Provincial analysis of findings on predetermined objectives – Municipalities

Province	Information not submitted	Non-compliance with regulatory requirements	Reported information is not useful	Reported information is not reliable
Eastern Cape	17%	85%	80%	68%
Free State	20%	95%	84%	68%
Gauteng	44%	33%	44%	44%
KwaZulu-Natal	5%	93%	75%	42%
Limpopo	26%	37%	45%	35%
Mpumalanga	38%	88%	50%	38%
Northern Cape	64%	91%	88%	50%
North West		100%	80%	84%
Western Cape	25%	96%	80%	52%

Table 10: Provincial analysis of findings on predetermined objectives – Municipal entities (applicable provinces)

Province	Information not submitted	Non-compliance with regulatory requirements	Reported information is not useful	Reported information is not reliable
Eastern Cape		33%	50%	17%
Free State	40%	80%	40%	20%
Gauteng	20%	10%	50%	90%
KwaZulu-Natal		100%	50%	
Limpopo	100%	50%		
North West	50%	100%		
Western Cape		25%		

2.3.3 Summary of regulatory requirements and/or criteria not met by auditees as well as trends in findings

Key trends in findings related to predetermined objectives reporting are as follows:

Annual performance report was not received in time for audit purposes

Municipalities	2009-10:	54 (23%)	2008-09:	95 (37%)
Municipal entities		6 (19%)		14 (44%)

An assessment could not be performed on the reliability of reported information because the information of 54 municipalities and six municipal entities was not received in time for audit purposes.



Non-compliance with regulatory requirements

Municipalities	2009-10:	193 (84%)	2008-09:	226 (88%)
Municipal entities		20 (45%)		21 (66%)

The scope of audit work and audit findings related to compliance with the MFMA, MSA and Municipal Planning and Performance Management Regulations in respect of the planning, management, monitoring, review and reporting of performance information. Findings related mainly to inadequate presentation of reported information, reported information not submitted in time for audit purposes and non-existence and/or non-functioning of a performance audit committee.

Usefulness of performance information

Municipalities	2009-10:	150 (73%)	2008-09:	150 (59%)
Municipal entities		12 (36%)		14 (44%)

In the audit assessment of usefulness we focused on the consistency, relevance and measurability of planned and reported performance information. Findings were mainly due to reported performance information not always being consistent with targets and indicators as set in the integrated development plans of the municipalities and service level agreements of municipal entities, and targets not being not specific, measurable and time bound.

Reported information not reliable

Municipalities	2009-10:	104 (52%)	2008-09:	141 (55%)
Municipal entities		9 (31%)		11 (34%)

Audit work focused on whether the reported performance information could be traced back to the source data or documentation and whether the reported information is accurate, complete and consistent in relation to the source data, evidence or documentation. Findings related to a lack of sufficient appropriate audit evidence in relation to the reported performance information and a lack of appropriate systems generating performance information, with the source information or evidence provided to support the reported performance information not adequately supporting the accuracy and completeness of the facts throughout.

2.3.4 Way forward on predetermined objectives reporting by auditees

Considering the number of findings, especially the high incidence of non-compliance with the MSA and MFMA, coupled with non-submission of performance information, it is evident that substantial work still needs to be done to prepare municipalities and municipal entities for an opinion in the auditor's report on predetermined objectives.

The high prevalence of findings can be attributed to leadership not assigning the same level of commitment to addressing findings on predetermined objectives and compliance as they do to addressing matters that could lead to favourable audit opinions. Most municipalities do not have officials specifically charged with the responsibility of collecting, verifying and regularly compiling reports on service delivery.



The initiatives taken by the AGSA in relation to predetermined objective reporting included quarterly key control review sessions with mayors, discussions with audit committees. Workshops on the requirements relating to reporting on predetermined objectives were conducted with senior management and internal audit units of municipalities and municipal entities.

At the time of the audit, action plans to address findings on predetermined objectives were either in progress or required intervention at 90% auditees whose financial statements were financially qualified and 50% whose financial statements were financially unqualified. The status of action plans to address findings on predetermined objectives for all auditees are reflected in annexure 4 to this report.

Mayors and municipal managers are required to take action to address these findings by ensuring that:

- the reported targets, goals and objectives are consistent with the planned performance information and that the implementation and progress of integrated development plans are monitored and recorded.
- reports on performance against predetermined objectives are compiled at least every six months, but preferably on a quarterly basis, and that the annual performance reports are submitted for auditing by 31 August.
- specific officials are made responsible for the collection, collation, compilation, filing, review and reporting on predetermined objectives.
- the systems used for performance reporting are appropriate to facilitate the preparation of quality reporting.
- performance audit committees are appointed or the audit committees are used to oversee performance management processes as provided for by the MSA.
- internal audit units assess the adequacy of controls relied on by management to ensure the reliability of performance information.
- the development and implementation of detailed action plans to address prior year audit outcomes relating to the reporting on predetermined objectives are monitored.

2.4 Findings on compliance with laws and regulations

For the year under review regularity audits included testing for compliance with a selection of key requirements of the MFMA, the MSA and the Municipal Structures Act. Some of the compliance matters identified at municipalities and municipal entities relate to transactions prohibited by legislation, while others relate to failure by mayors, accounting officers and other officials to meet their legislated responsibilities.

Findings are presented under the categories of (i) transversal findings on compliance with laws and regulations, (ii) unauthorised, irregular, and fruitless and wasteful expenditure, (iii) supply chain management, and (iv) submission by auditees of oversight and annual reports. Details are also provided on investigations.

2.4.1 Transversal findings on compliance with laws and regulations

Of the 237 municipalities analysed, 223 (94%) municipalities [2008-09: 231 (83%)] had reported audit findings on compliance with laws and regulation, while 38 (78%) of the 49 municipal entities analysed [2008-09: 47 (85%)] attracted similar findings.



Table 11: Analysis of top findings on compliance with laws and regulations – Municipalities (including transversal misstatements and SCM)

Province	SCM that resulted in irregular expenditure	Transversal material misstatements	SCM that did not result in irregular expenditure	Audit committee/ internal audit	Statutory responsibilities of mayors, municipal managers and senior officials	Payments not made within 30 days
Eastern Cape	85%	100%	85%	61%	76%	73%
Free State	95%	85%	65%	90%	85%	65%
Gauteng	29%	71%	14%	21%	57%	43%
KwaZulu-Natal	55%	95%	38%	48%	63%	22%
Limpopo	44%	100%	24%	80%	52%	56%
Mpumalanga	58%	37%	5%	42%	53%	26%
Northern Cape	77%	91%	77%	73%	82%	86%
North West	100%	100%	88%	100%	25%	88%
Western Cape	75%	21%	50%	50%	32%	7%

Table 12: Analysis of top findings on compliance with laws and regulations – Municipal entities (including transversal misstatements and SCM) (applicable provinces)

Province	SCM that resulted in irregular expenditure	Transversal material misstatements	SCM that did not result in irregular expenditure	Audit committee/ internal audit	Statutory responsibilities of mayors, municipal managers and senior officials	Payments not made within 30 days
Eastern Cape	50%	50%	50%	50%	83%	50%
Free State	40%	60%	40%	60%	80%	40%
Gauteng	39%	30%	9%	9%	17%	52%
KwaZulu-Natal	71%	86%	57%	71%	86%	29%
Limpopo	50%	100%	50%	100%	50%	
North West		50%				

Transversally, the most common findings are material misstatements in financial statements submitted for audit (refer to section 2.2.3 above) and non-compliance with legislation on supply chain management (refer to section 2.4.3 below).

Details of other non-compliance findings are as follows:

Audit committees and internal audit

- Audit committees were not properly established or not functioning properly.
- Audit committees did not advise the municipal councils, political office bearers, accounting officers and the management staff of municipalities on matters relating to the adequacy, reliability and accuracy of financial reporting and information.



Statutory responsibilities of mayors, accounting officers and municipal officials

Mayors failed to meet some of their legislative responsibilities, such as:

- Coordinating the annual revision of the integrated development plan and coordinating the preparation of the annual budget.
- Determining how the integrated development plan was to be taken into account or revised for the purposes of the annual budget.
- Tabling the annual budget at a council meeting at least 90 days before the start of the budget year.
- Ensuring that the council approves the municipality's service delivery and budget implementation plan within 28 days after the approval of the annual budget.
- Supervising budgetary control and early identification of financial problems.

Accounting officers/municipal managers did not fully meet their legislative responsibility in terms of managing the financial administration of the municipality by taking reasonable steps to ensure that:

- Full and proper records of the financial affairs of the municipality were kept in accordance with any prescribed norms and standards.
- The resources of the municipality were used effectively, efficiently and economically.

Furthermore, some accounting officers did not implement or maintain:

- Financial management and internal controls.
- Internal audit units that function in accordance with any prescribed norms and standards.
- A tariff policy referred to in section 74 of the MSA.
- A rates policy as required in terms of any applicable national legislation.
- A credit control and debt collection policy referred to in section 96(b) of the MSA.
- An SCM policy in accordance with chapter 11 of the MFMA.

Senior managers/officials of the municipality/municipal entity exercising financial management responsibilities did not take reasonable steps within their areas of responsibility to ensure that:

- The system of financial management and internal control established for the municipality is followed diligently.
- The financial and other resources of the municipality are utilised effectively, efficiently, economically and transparently.
- All revenue due to the municipality is collected.
- The assets and liabilities of the municipality are managed effectively and that the assets are safeguarded and maintained to the extent necessary.
- All information required by the accounting officer for compliance with the provisions of the MFMA is submitted timeously to the accounting officer.
- The provisions of the MFMA, to the extent applicable to that senior manager or official, including any delegations in terms of section 79, are complied with.

Payments not made within 30 days

The underlying reason for the late payments relates primarily to cash flow constraints experienced by municipalities which cause them to prioritise payments to suppliers within the available funds. Many municipalities did not collect revenue billed mainly due to debt collection policies not being enforced. At most municipalities, the cost of water and electricity in excess of the subsidised amount used by indigent community members cannot be recovered. The revenue base in some municipalities is limited, as these municipalities are in rural areas with little sustainable economic activity. For most of these municipalities the grant funding is not sufficient to cover operating expenditure. Many municipalities do not have systems and processes in place to track the ageing of invoices to ensure that payments are made to suppliers within 30 days of receipt.

Other non-compliance findings

While only the most prevalent findings on compliance are highlighted above, audits also revealed other instances of non-compliance with laws and regulations. The reason for their exclusion from the top five is that these findings were not as prevalent.

These include the following:

- The accounting officer the municipality had not maintained effective, efficient and transparent systems of financial management and internal controls (61 findings).
- The internal audit unit of a municipality or municipal entity did not perform the duties assigned to it by the accounting officer (54 findings).
- The accounting officer transferred funds of the municipality to an organisation or body outside any sphere of government otherwise than in compliance with a commercial or other business transaction, without being satisfied that the organisation or body had in respect of previous similar transfers, complied with all the requirements of this section (51 findings).
- Disciplinary and criminal proceedings in instances of financial conduct were not instituted or conducted in accordance with legislation: The accounting officer/accounting authority reported the outcome of the disciplinary and criminal (50 findings).
- The municipality or municipal entity did not have or did not maintain effective, efficient and transparent systems of internal control as required by legislation to guard against fraud, theft and financial mismanagement (46 findings).

2.4.2 Unauthorised, irregular, and fruitless and wasteful expenditure incurred during the year

Section 62 of the MFMA requires accounting officers to take reasonable steps to ensure that unauthorised, irregular, and fruitless and wasteful expenditure is prevented. Similarly, in terms of section 95 of the MFMA, accounting officers of municipal entities are required to prevent irregular, and fruitless and wasteful expenditure. The MFMA makes it compulsory for municipalities and municipal entities to disclose such expenditure in their financial statements.

During the 2009-10 financial year there was an increase in both the number of auditees and the total amount incurred by them in unauthorised, irregular, and fruitless and wasteful expenditure. Many municipalities under-disclosed such expenditure in the financial statements submitted for audit. This increase is only in part due to the AGSA's extended focus and audit testing of procurement processes, contract management and the controls in place to ensure a fair, equitable, transparent, competitive and cost-effective SCM system at 275 municipalities and municipal entities. A summary thereof for the year under review is provided in the figure 20 and table 13.

Figure 20: Unauthorised, irregular, and fruitless and wasteful expenditure incurred by municipalities and municipal entities



Table 13: Number auditees incurring unauthorised, irregular, and fruitless and wasteful expenditure 2009-10 vs. 2008-09

Expenditure type	All auditees			Provincial trends	
	2009-10	2008-09	Percentage increase	Increase	Decrease
	Number of auditees	Number of auditees		Number of provinces	Number of provinces
Unauthorised expenditure	112	101	11%	EC, GP, LP, MP, NC, WC	FS, KZN, NW
Irregular expenditure	190	147	29%	EC, GP, KZN, LP, MP, NC, WC	FS, NW
Fruitless and wasteful expenditure	120	93	29%	EC, GP, KZN, MP	FS, LP, NC, NW, WC

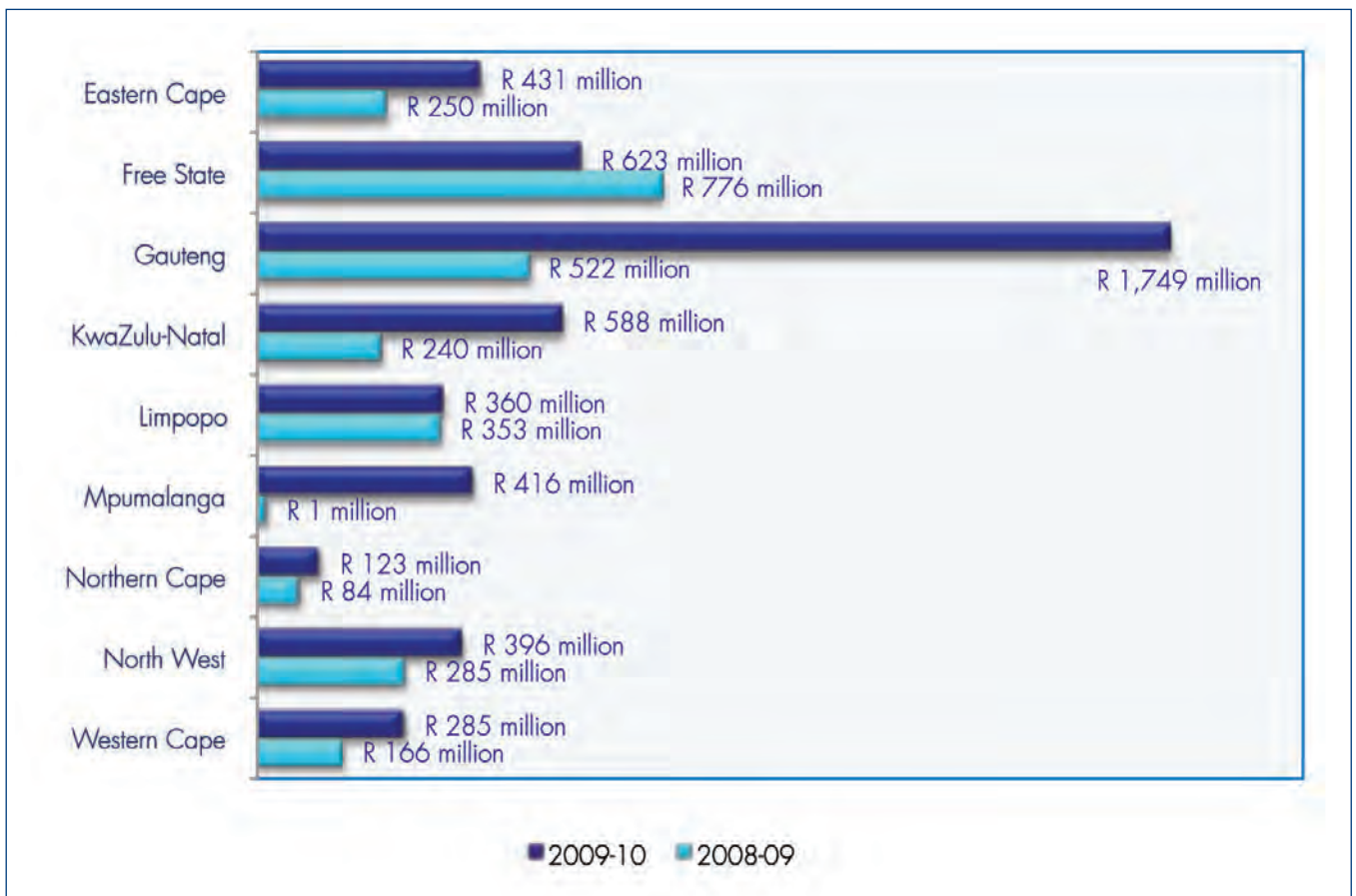
Unauthorised expenditure

Unauthorised expenditure of R5 billion (2008-09: R2,7 billion) was incurred by 112 (46%) municipalities and municipal entities (2008-09: 101) across all nine provinces. Of this amount, R2,3 billion (46%) was identified during the audit and R1,1 billion had been written off or authorised during the financial year .

- Significant increases over the prior year were observed in the Eastern Cape (61%), Gauteng (235%), North West (39%) and Western Cape (65%).
- Gauteng accounted for 33% (R1,7 billion) of unauthorised expenditure incurred by the provinces, with the City of Tshwane Metro alone incurring R1,5 billion of this amount.
- Municipalities and municipal entities in the Free State (20%) and Limpopo (21%) incurred lower amounts compared to the previous financial year.

Municipalities and municipal entities incurred unauthorised expenditure through overspending on their votes (R4,8 billion), expenditure unrelated to the functional area (R69 million) and expenditure not in accordance with the conditions of the allocation (R145 million).

Figure 21: Unauthorised expenditure incurred by municipalities and municipal entities

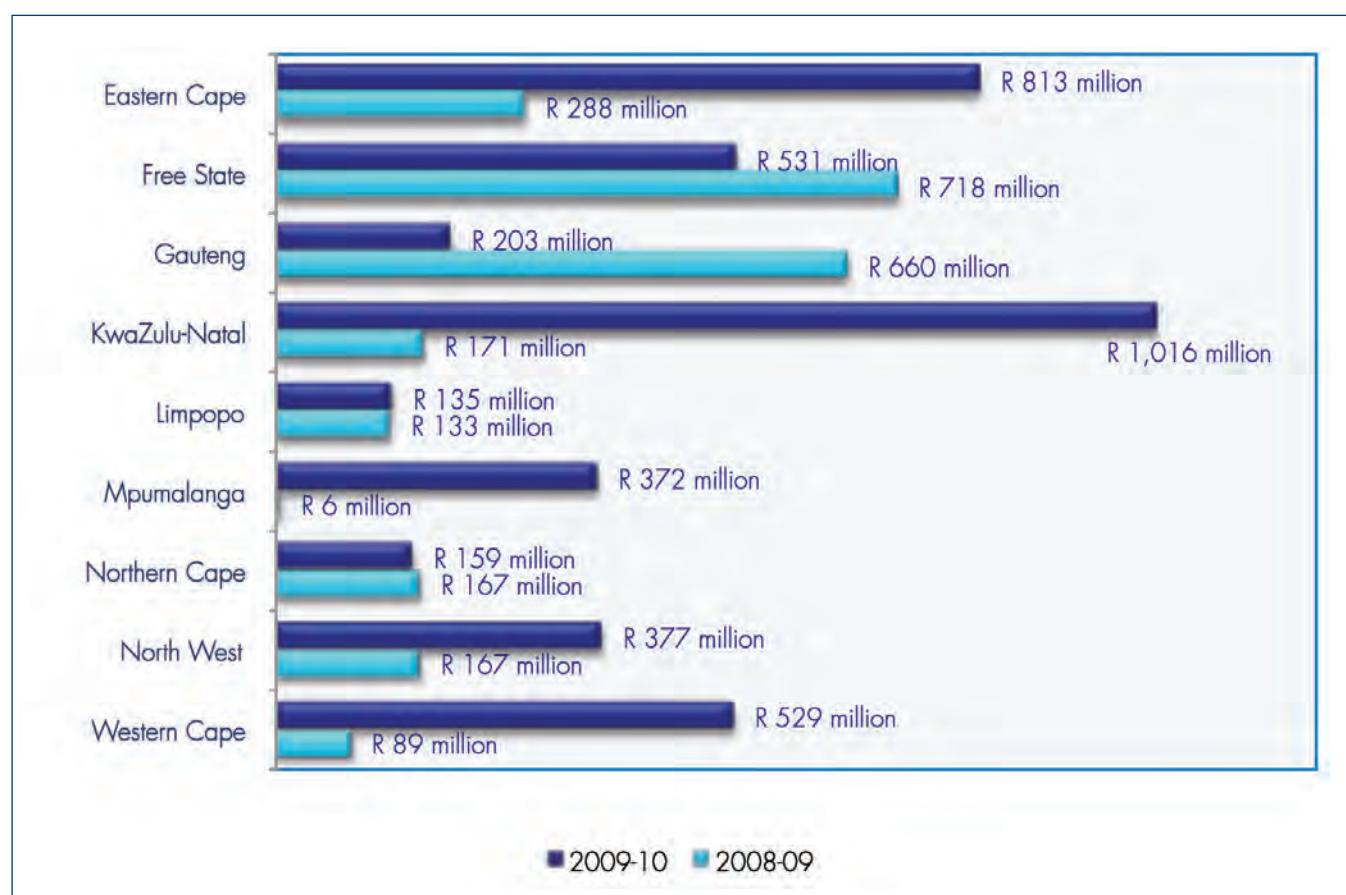


Irregular expenditure

Irregular expenditure of R4,1 billion (2008-09: R2,4 billion) was incurred by 190 (66%) municipalities and municipal entities (2008-09: 147), of which R3,7 billion (89%) was identified during the audit. The high proportion identified during the audit indicates that there is still a high reluctance to disclose and/or an inability to appropriately identify what constitutes irregular expenditure in terms of the MFMA. Irregular expenditure written off or condoned during the financial year amounted to only R77 million.

- Municipalities and municipal entities incurred irregular expenditure related to supply chain management (R3,9 billion), compensation of employees (R16 million) and for other reasons (R219 million).
- Significant increases over the prior financial year were observed in the Eastern Cape (182%), KwaZulu-Natal (493%) and Western Cape (497%), which together accounted for more than 60% of irregular expenditure incurred during the financial year.
- Significant reductions occurred in the Free State (26%) and Gauteng (69%).

Figure 22: Irregular expenditure incurred by municipalities and municipal entities



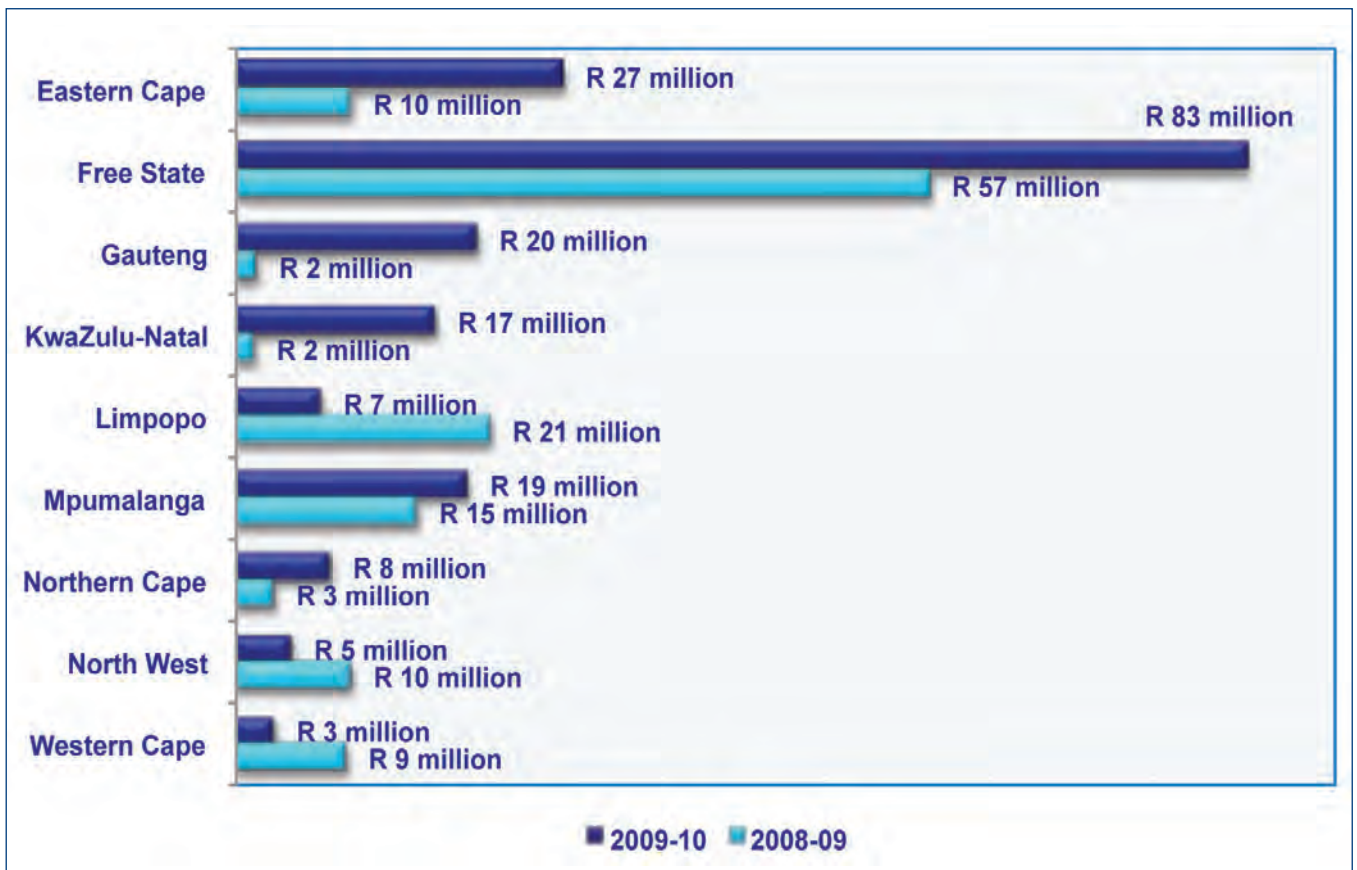
Fruitless and wasteful expenditure

Fruitless and wasteful expenditure of R189 million (2008-09: R128 million) was incurred by 120 (42%) municipalities and municipal entities (2008-09: 93). R89 million (47%) of the total amount incurred was identified during the audit, indicating that there is still a high reluctance to disclose and/or an inability to appropriately identify what constitutes irregular expenditure in terms of the MFMA. A total of only R1,3 million was written off or condoned during the financial year.

- At least 30% of auditees in each of the provinces incurred such expenditure, with 75% of auditees in the Free State incurring fruitless and wasteful expenditure.
- Significant increases over the prior year (R60 million) were observed in the Eastern Cape (181%), Free State (46%), Limpopo (28%), and Northern Cape (140%).
- Reductions in amounts occurred in Limpopo (66%), North West (51%) and Western Cape (64%).

Municipalities and municipal entities incurred fruitless and wasteful expenditure due to penalties and interest accrued, overpayment to suppliers, appointment of consultants for work already performed by service providers, settlement costs, legal costs being paid, VAT not claimed on valid tax invoices, allowances paid to staff in excess of SARS rates, duplicate payments made to suppliers, charges on termination of contracts, and other avoidable costs. These are indicators of poor financial management and inadequate internal controls.

Figure 23: Fruitless and wasteful expenditure incurred by municipalities and municipal entities



2.4.3 Findings on non-compliance with SCM legislation

The audits conducted at municipalities and municipal entities for the year included an assessment of procurement processes, contract management and the controls in place to ensure a fair, equitable, transparent, competitive and cost-effective SCM system that complies with legislation and minimises the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices.

Findings were raised during the audits of supply chain management at 214 (74%) of the auditees for contracts and quotations (hereinafter referred to as "awards"). At 51 (18%) of the auditees documentation on procurement processes followed could not in all instances be presented for audit. The significant findings relate to the matters indicated in the following table, with key matters highlighted below.

Table 14: Summary of findings on supply chain management

Province	Awards to persons in service of the state	Awards to close family members of persons in service of state	Limitation on audits of awards	Uncompetitive or unfair procurement processes	Inadequate contract management	Inadequate controls
Eastern Cape	45%	33%	19%	65%	31%	67%
Free State	86%	25%	45%	91%	57%	95%
Gauteng	43%		3%	30%	16%	22%
KwaZulu-Natal	49%	16%	9%	56%	25%	63%
Limpopo	40%		31%	7%	14%	62%
Mpumalanga	44%		26%	53%	32%	58%
Northern Cape			18%	73%	14%	50%
North West	83%	33%	70%	90%	50%	100%
Western Cape	48%	42%	19%	50%	22%	47%

Irregular expenditure incurred	The irregular expenditure incurred in the provinces was mostly due to awards made to persons in the service of the state or their family members at 63 (56% of auditees) and to uncompetitive or unfair procurement processes at 159 (56% of auditees).
Awards to persons in the service of the state	Awards to the value of R138 million were made to persons in the service of the state. Awards to the value of R76 million were made to persons in the service of the particular auditee and included 19 councillors, a mayor and a municipal manager.
Awards to close family members of persons in the service of the state	A further award of R102 million was made to close family members of persons in the service of the auditee, which included five councillors, three mayors and two municipal managers.
Limitations on audit of awards	Considering that the audit of awards was only performed at 40% of the auditees and in a limited manner, these findings are of great concern. The possibility of undue influencing of the procurement processes by the identified persons cannot be discounted. The suppliers did not declare their relationship with persons at the auditee or in service at other state institutions in at least 28% of the instances. The percentage could be higher as all declarations could not be presented for audit. Such non-disclosure constitutes a corrupt and fraudulent act and should be investigated and dealt with in accordance with legislation.

Uncompetitive or unfair procurement processes	The findings on uncompetitive or unfair procurement processes mostly relate to quotations not being obtained for awards below R200 000 (R148 million) and competitive bidding processes not followed for awards above R200 000 (R656 million). Deviations from competitive processes were found to be approved at some municipalities but not on justifiable grounds as outlined in legislation (R372 million).
Inadequate contract management	Inadequate management of projects and contracts remains a weakness at municipalities and is characterised by findings relating to lack of written contracts, payments made in excess of the contract amount, irregular extensions/amendments to contracts and inadequate monitoring of contracts.
Inadequate SCM controls	Non-compliance with SCM legislation at the majority of the auditees is evidenced by these findings and is receiving attention to varying degrees at all levels of oversight. Based on the audit of fundamental SCM internal controls, the findings do, however, show that strong ethical leadership and monitoring, well-established policies, processes and procedures for SCM and fraud prevention and detection as well as active governance by internal audit and audit committees can solve the problem.

2.4.4 Investigations into SCM irregularities, fraud or financial misconduct

For the financial year ended 2010, investigations were conducted into the financial affairs of at least 87 (37%) municipalities and four (8%) municipal entities. At 32 municipalities more than one investigation was conducted. None of these investigations were performed by the AGSA but they were assessed as being material for purposes of inclusion in the auditor’s report. The need for such investigations is an indicator that internal controls are either not functioning or are being overridden. Three of the entities where investigations were conducted are in Gauteng and one in KwaZulu-Natal. Such investigations related to supply chain management, fraud and/or financial misconduct.

Figure 24: Provincial analysis of investigations at municipalities and municipal entities



2.4.5 Way forward on compliance-related findings

At the time of the audit action plans to address findings on compliance with laws and regulations were either in progress or required intervention at more than 90% of auditees whose financial statements were financially qualified and 40% whose financial statements were financially unqualified. The status of action plans to address compliance findings for all auditees are reflected in annexure 4 to this report.

Mayors and municipal managers should set the example by consistently executing their legislated duties. They should further ensure that the control environments within municipalities and municipal entities are conducive to compliance and contain the required level of incentives and sanctions for officials with regard to adherence to legislation generally, and prohibited transactions, specifically.

- The induction process for new mayors and councillors should be used to establish legislative compliance as a cornerstone for accountability and governance in the province.
- Newly elected mayors to be trained in their specific duties (refer section 2.4.1).
- Municipal managers to fulfill their MFMA-prescribed responsibilities (refer section 2.4.1).
- The regularisation of the overspending, irregular expenditure and fruitless and wasteful expenditure will have to happen under the supervision, oversight and powers of the incoming councils. This must be done without delay in a consistent, appropriate and transparent manner throughout all provinces.
- Introducing a checklist when transactions are initiated and processed to confirm that all legal requirements pertaining to the transaction have been satisfied.
- Training of staff to comply with SCM regulations and procedures.
- The MFMA-prescribed steps to be taken for financial misconduct and investigations must be followed through.
- Audit committees and internal audit units should provide assurance that the strategies employed to mitigate the risk of non-compliance are adequate and effective.

2.5 Findings on information technology used by municipalities and municipal entities

2.5.1 Computer systems in use and the management of information technology

Municipalities and municipal entities need appropriate, reliable and secure computer systems to effectively manage their finances and to maintain adequate financial records for the preparation of financial statements. They also need to manage information technology (IT) effectively to ensure uninterrupted service delivery and continuity of business operations. At the 162 municipalities and municipal entities audited countrywide there were 43 different systems in use. These ranged from off-the-shelf packages (computer packages bought) to systems developed in-house and customised systems (computer packages bought and modified). Transactions processed on these systems include procurement, supplier payments, payroll, asset acquisitions, disposals and location tracking, debtor accounts and billing for water and electricity consumption, rates, refuse removal, etc.

One of the challenges, particularly for smaller municipalities, is limited IT-skilled staff and budgets. Moreover, whereas assistance is provided in respect of the three systems used nationally by national and provincial departments (BAS, Persal and Logis), neither the National Treasury nor SITA provides assistance to municipalities and municipal entities to ensure that the computer systems used are adequately controlled and that IT is cost-effectively managed.



The use of so many different accounting and financial systems impacts on the cost to local government of running and maintaining them. Some systems are not able to produce GRAP-compliant financial statements and require additional financial statement software or the use of computer spreadsheets. In addition, a number of systems are not integrated with the financial accounting systems used by municipalities and municipal entities. Control and data security concerns include the following:

- unauthorised access to the systems
- systems being vulnerable to errors and unauthorised changes to data and records
- lack of segregation of functions and management oversight due to limited IT skills
- systems not able to provide adequate audit/management trails, including schedules and listings in support of account balances.

At the time of the audit there was a 36% IT vacancy rate at audited municipalities.

2.5.2 Deficiencies identified in information technology management

Key areas in the management of IT where deficiencies were identified at municipalities are depicted below. A similar level of deficiencies was identified at seven municipal entities whose IT systems were audited.

Figure 25: Findings arising from the AGSA's IT audit focus areas

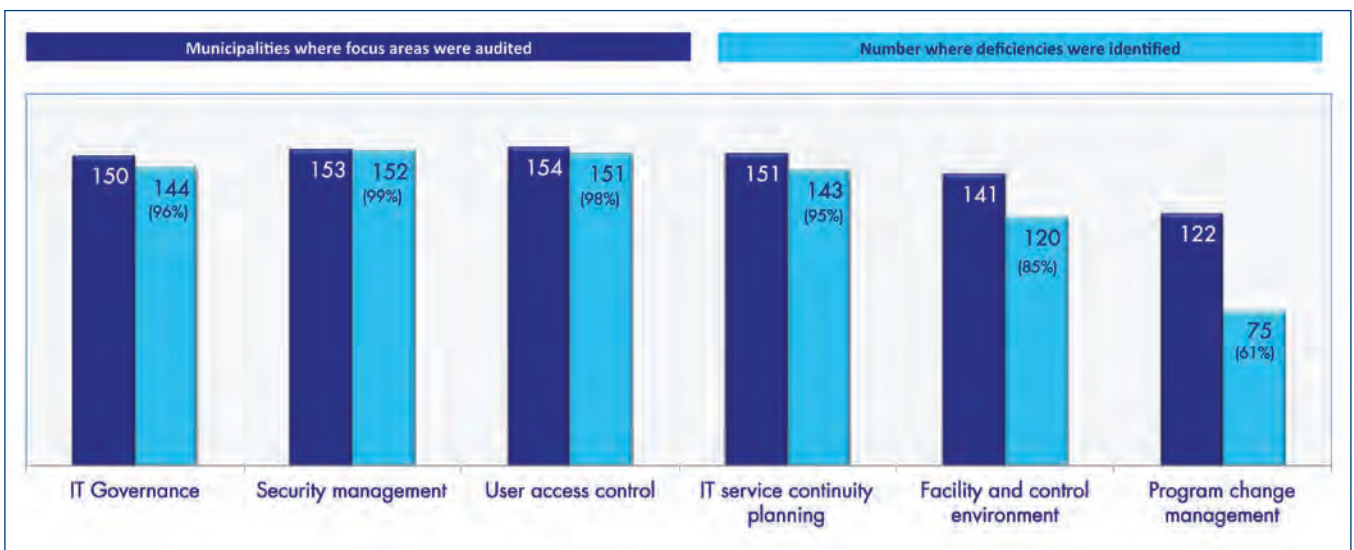


Table 15 presents an analysis of IT focus findings in the provinces.



Table 15: Analysis of provincial audit findings raised on common IT focus areas

Province	IT Governance			Security management			User access control			Programme change management			Facilities and environmental control			Data centre management			IT service continuity		
Eastern Cape	67%	17%	17%	75%	25%		83%	17%		75%	8%	17%	58%	17%	25%	25%		8%	92%	8%	
Free State	100%			100%			100%			100%			95%	5%		74%			95%	5%	
Gauteng	100%			100%			82%	9%	9%	73%	9%	18%	64%		36%	36%		55%	82%	9%	9%
KwaZulu-Natal	70%	20%	5%	95%	5%		75%	25%		95%	5%		40%	15%		30%		15%	85%	10%	
Limpopo	96%		4%	100%			96%		4%	93%		7%	67%		33%	48%		52%	93%	4%	4%
Mpumalanga	83%	17%		67%	33%		83%	17%		100%			67%	33%		100%			67%	33%	
Northern Cape	100%			100%			100%			100%			88%		13%	69%		31%	100%		
North West	100%			100%			75%	25%		50%	25%	25%	100%			0%		100%	100%		
Western Cape	75%	10%	10%	80%	20%		85%	15%		90%	10%		80%	10%	10%	25%		45%	80%	20%	



The above table expresses findings as a percentage of municipalities and municipal entities audited in the province. However, not all of the IT focus areas were afforded coverage at all of the auditees audited.

2.5.3 Way forward on identified information technology weaknesses

Key matters that need to be addressed to improve the state of IT at municipalities and municipal entities:

- Effective IT governance processes to ensure that IT functions are operational and capacitated.
- Business continuity and disaster recovery plans and facilities to ensure the availability/recovery of financial information in instances of data loss.
- Minimal dependency on service providers who implement and manage system security functions.
- Central coordination, guidance and specialist support to local government to enable cost-effective and efficient management of IT.

It is recommended that the following actions be taken by the coordinating ministries (DPSA, CoGTA and National Treasury), SITA and provincial oversight structures:

- In view of the large number of computer systems in use, the National Treasury should provide prescripts regarding financial systems to minimise excessive/duplicate systems and maintenance costs. National Treasury should also explore the possibility of (i) providing local government with the possibility of extending the integrated financial management system (IFMS) currently under development, or (ii) developing a transversal IT system specifically for local government.
- CoGTA should monitor and influence improvements to address system deficiencies and duplication at municipalities in collaboration with the National Treasury and DPSA.
- DPSA, in consultation with the GITO council, should extend the IT governance framework developed for national and provincial departments to incorporate local government.
- Furthermore, consideration should be given to extending SITA's mandate to provide technical support to local government.



- Provincial oversight (Premiers, MECs for finance and local government) should establish a governance process that will promote knowledge sharing and shared IT technical support per district/province.

The Minister of Public Service Administration has committed to make “service delivery through IT” a key focus of the DPSA and to convene a meeting with key role players, including SITA, the GITO Council, National Treasury, CoGTA, PALAMA and SALGA, for which the following objectives were set:

- Approving the IT governance framework that has already been drafted for application in national, provincial and local spheres of government.
- Reviewing the IT strategy of the Republic of South Africa.
- Improving information security across government.
- Reviewing the mandatory and non-mandatory functions of SITA to assess the need for amendments to the SITA Act in order for SITA to provide critical specialised support to all spheres of government.

Drivers of audit outcomes and initiatives of role players

The audit outcomes-related matters presented under this section leads to a further analysis of the drivers of audit outcomes. These are discussed in detail in the next section where the commitments and initiatives of national and provincial role players are outlined.

SECTION 3: KEY CONTROLS, INITIATIVES AND COMMITMENTS FROM KEY NATIONAL AND PROVINCIAL ROLE PLAYERS

As is evident from the analysis of the audit outcomes presented in the preceding section of this report, there are a number of areas that require focus and, in some instances, intervention for municipalities and municipal entities controlled by them to achieve clean administration by 2014. Such intensified focus and intervention are required from the following parties:

- Municipal management, which includes executive mayors, municipal managers, CFOs and senior municipal officials (analysed in paragraph 3.1).
- Provincial executive leadership, comprising provincial CoGTAs, provincial treasuries, Premiers, the MECs for Local Government and MECs for Finance. Coordinated provincial oversight is provided by provincial standing committees, the Provincial Speaker's Forum, and Municipal Public Accounts Committees (MPACs) (analysed in paragraph 3.2).
- National role players, comprising CoGTA, National Treasury, DPSA and the Presidency. Oversight is provided by the National Assembly and Portfolio Committees and the National Council of Provinces (NCO) while SALGA also has an important role to play (analysed in paragraph 3.3).

An outline of the response from the Accounting Standards Board to accounting-related aspects of the 2009-10 audit outcomes is given under paragraph 3.4. The AGSA initiatives to encourage clean administration is overviewed under section 3.5 and other emerging matters that require attention to prevent a negative impact on future audit outcomes are discussed under section 3.6.

Key controls as drivers of audit outcomes

Three categories of drivers of improved audit outcomes have been identified by the AGSA through interaction on audit outcomes with auditees over the past several years and have been used to formally document the results of quarterly key control visits by the AGSA to municipal leadership.

These drivers (key controls) are categorised into the fundamental areas of internal control, namely:

- (i) Leadership,
- (ii) Financial and performance management, and
- (iii) Governance.

Deficiencies in some or all of these controls are directly linked to:

- (i) audit opinions on the financial statements,
- (ii) findings on predetermined objectives, and
- (iii) findings on compliance with laws and regulations.

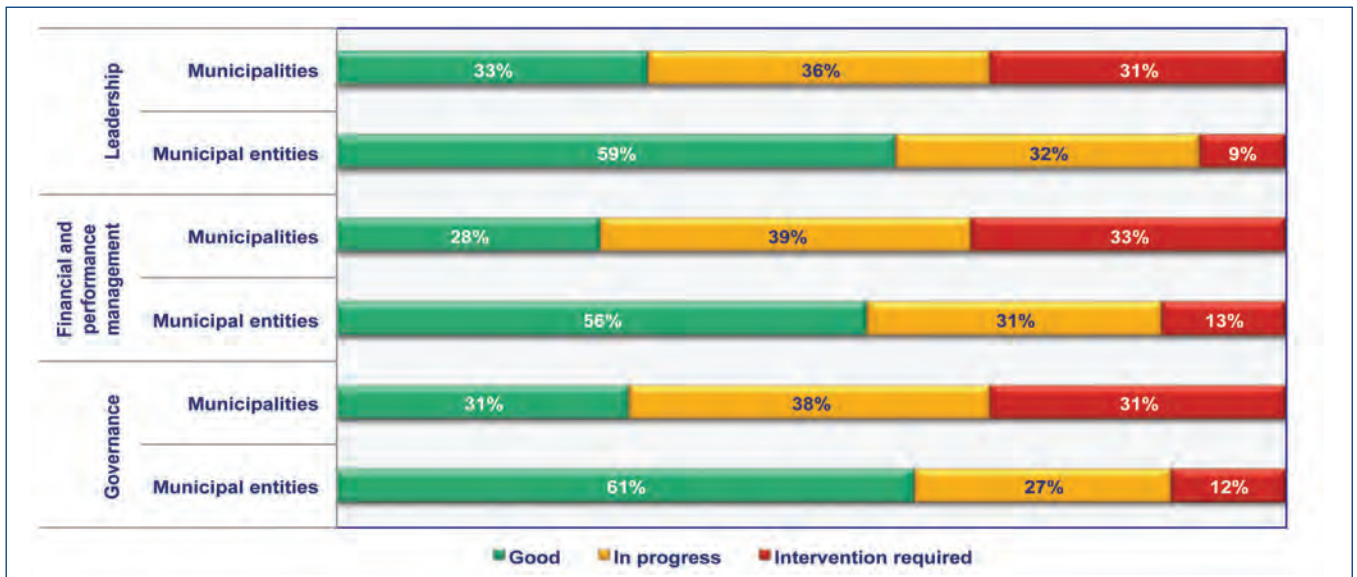
Municipalities and municipal entities that achieved improvements or maintained positive audit outcomes can attribute their improvements to the implementation and effective monitoring of the three fundamentals of internal control. Similarly, municipalities that regressed or received negative audit outcomes can attribute this to not implementing and monitoring these fundamentals of internal controls.

Annexure 4 to this report lists auditees together with an assessment of the adequacy key controls at the time of the audit.

3.1 Overall assessment of the key controls at the time of the audits

An overall assessment of the key drivers at the time of the 2009-10 audits of municipalities and municipal entities is depicted below.

Figure 26: Overall assessment of key controls at time of the audit (all auditees)



3.2 Assessment of key controls at the time of the audit of auditees receiving disclaimed, adverse or qualified opinions

A summarised assessment at the time of the audits of the detailed elements of (i) leadership, (ii) financial and performance management, and (iii) governance for all municipalities and municipal entities is depicted below. Figures 27 and 28 which follow illustrate the correlation between outcomes of those auditees receiving disclaimed, adverse or qualified opinions, as evidenced by the low percentages assessed as “good”.

Figure 27: Assessment of key controls at time of the audit of municipalities disclaimed, adverse or qualified (110 municipalities = 46%)

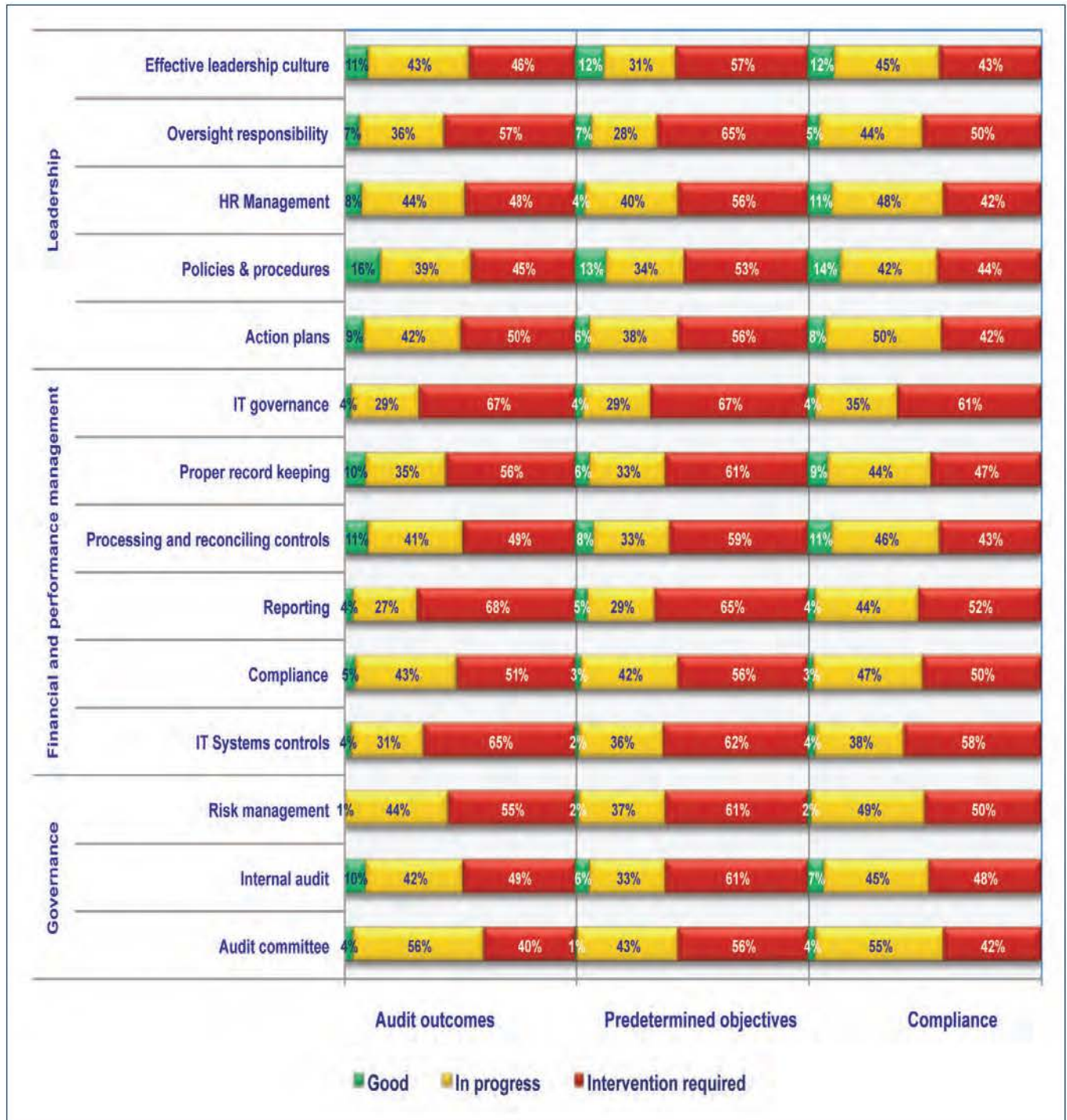
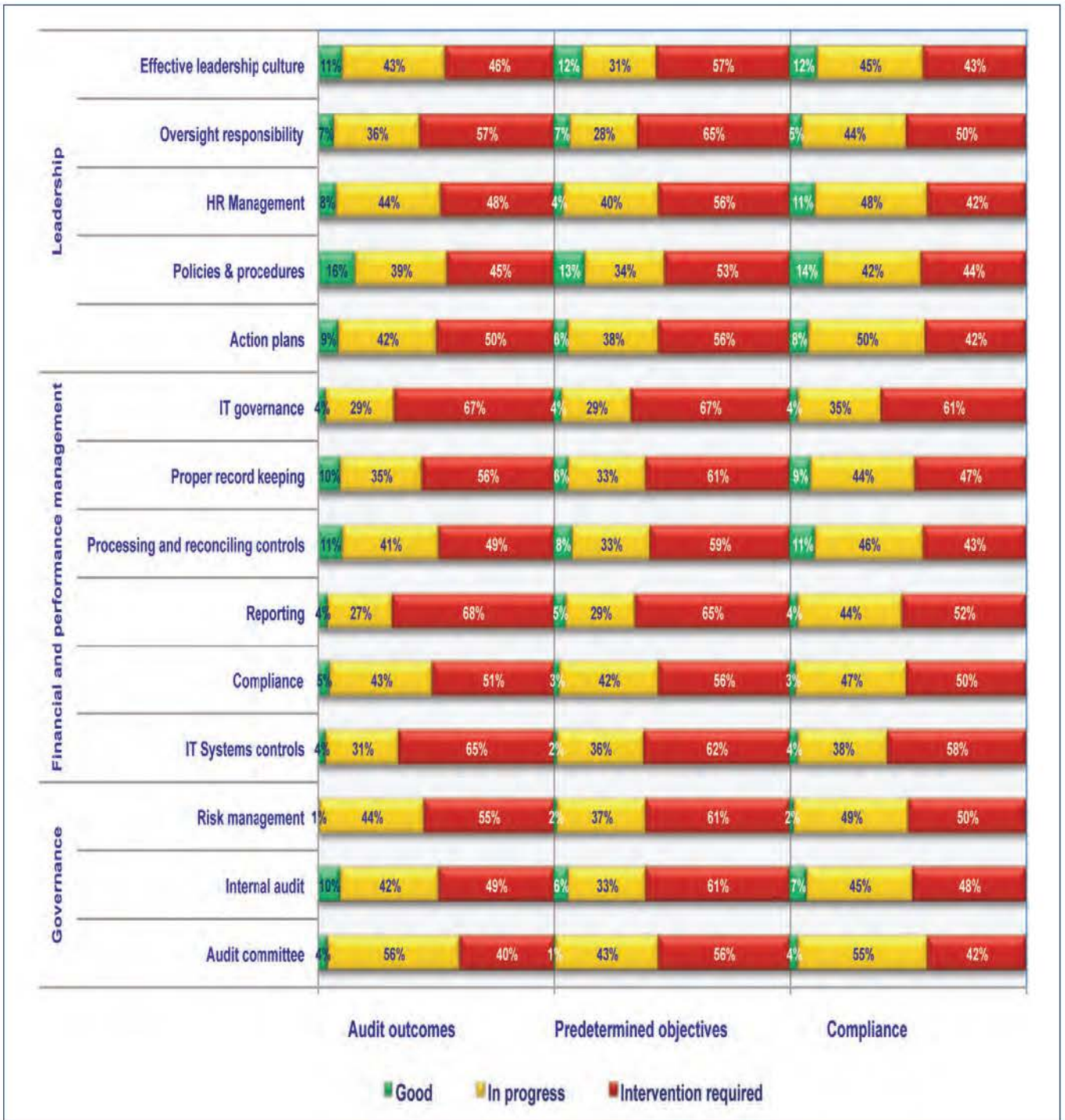


Figure 28: Assessment of key controls at time of the audit of municipal entities disclaimed, or qualified (10 municipal entities = 22%)



The assessment presented in the preceding two figures highlight the significant attention required by municipal leadership and those charged with governance to move these auditees to financially unqualified audit reports, initially, and ultimately to clean administration.



3.3 Monitoring capacity of provincial key role players to address audit outcomes at the time of the audit

Based on the 2009-10 audit outcomes the AGSA performed an assessment of the monitoring capacity of provincial key role players at the time of the audit. With reference to qualification findings, compliance with laws and regulations (including supply chain management) predetermined objectives and other matters, nine specific areas were assessed, the results of which are depicted below.

Table 16: Assessment of monitoring capacity of provincial key role players to address audit outcomes at the time of the audit

Role players	Assessment of monitoring capacity and effectiveness at the time of the audit								
	Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT Controls	Human resource management	Use of consultants	Municipalities under administration (Section 139 of MFMA)	Governance structures
Provincial executive leadership (Provincial CoGTA and Provincial Treasury, Operation Clean Audit, Premier, MEC Local Government and MEC Finance)	EC	EC	EC	EC	EC	EC	EC	EC	EC
	FS	FS	FS	FS	FS	FS	FS	FS	FS
	GP	GP	GP	GP	GP	GP	GP	GP	GP
	KZN	KZN	KZN	KZN	KZN	KZN	KZN	KZN	KZN
	LP	LP	LP	LP	LP	LP	LP	LP	LP
	MP	MP	MP	MP	MP	MP	MP	MP	MP
	NC	NC	NC	NC	NC	NC	NC	NC	NC
	NW	NW	NW	NW	NW	NW	NW	NW	NW
	WC	WC	WC	WC	WC	WC	WC	WC	WC
Coordinated Provincial oversight (Provincial standing committees, Provincial Speakers Forum and MPACs)	EC	EC	EC	EC	EC	EC	EC	EC	EC
	FS	FS	FS	FS	FS	FS	FS	FS	FS
	GP	GP	GP	GP	GP	GP	GP	GP	GP
	KZN	KZN	KZN	KZN	KZN	KZN	KZN	KZN	KZN
	LP	LP	LP	LP	LP	LP	LP	LP	LP
	MP	MP	MP	MP	MP	MP	MP	MP	MP
	NC	NC	NC	NC	NC	NC	NC	NC	NC
	NW	NW	NW	NW	NW	NW	NW	NW	NW
	WC	WC	WC	WC	WC	WC	WC	WC	WC



Note: Responsibility for these nine areas varies amongst the role players.

Details of commitments given by these role players to drive improved audit outcomes in their respective provinces are provided in individual general reports of provinces.



3.4 Focus areas for national role players to improve audit outcomes

The AGSA presented the 2009-10 audit outcomes of local government to key national role players during the months of March 2011 through to May 2011. Engagements with them included an assessment of focus needed from them in the same nine areas as identified for provincial role players. An overview of these nine areas is presented under section 4.2 of this report, which should be read together the “way forward” under sections 2.2.7, 2.3.4, 2.4.5 and 2.5.3. In addition, the April 2011 trilateral meeting between National Treasury, the Accounting Standards Board and the AGSA focused on accounting-related matters that impact on the audit outcomes of municipalities and municipal entities.

Depicted below is an assessment of the nine focus areas shared with key national role players during April and May of 2011.

Table 17: Assessment of areas of focus needed from national key role players to address audit outcomes at the time of the audit

Role players	Assessment of monitoring capacity and effectiveness								
	Supply chain management	Predetermined objectives	Financial management	Turnaround plans	IT Controls	Human resource management	Use of consultants	Municipalities under administration	Governance structures
Executive leadership (CoGTA, National Treasury, DPSA, Presidency)	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	In progress	Intervention required	In progress
Legislative oversight (NCOP, NA Portfolio Committees)	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required
SALGA	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required	Intervention required

Intervention required
 In progress

Note: Responsibility for these nine areas varies amongst the role players.

3.4.1 Legislative oversight response

These nine areas of focus were recognised as requiring intervention at an AGSA-facilitated joint workshop of the Select Committee on CoGTA and the House Chairperson of Committees and Oversight (NCOP) in April 2011. The committee called for the tabling, by June 2011, of oversight action plans by CoGTA, the National Treasury and SALGA. Such action plans should respond to the 2009-10 audit outcomes generally and these nine focus areas specifically.

Initiatives in progress by some of these national role players at the time of the 2009-10 audits and details of new ones of which the AGSA was aware at the date of this general report are summarised below. While many of the initiatives described below are already in place, the outcomes described in this report provide an opportunity for the respective ministries and their partners to measure the direct impact on audit outcomes.



Coordinating ministries may need to determine whether their existing and planned initiatives are likely to have the desired impact on audit outcomes. These ministries are encouraged to also extend their plans to address all nine focus areas, so that an improvement is seen in all three facets of audit outcomes (audit opinions, predetermined objectives and compliance with laws and regulations).

3.4.2 National CoGTA initiatives

In terms of the local Government Turnaround Strategy, CoGTA reported in April 2011 that a survey and benchmarking of profile of critical posts on shortage of critical skills in smaller municipalities had been completed and that the results were communicated to the Minister.

Other initiatives reported by National CoGTA in May 2011 include the following:

Addressing past audit findings

Provincial Coordinating Committees (PCCs) have been established at a provincial level with key drivers being the provincial departments responsible for local government, treasuries, in some provinces with the participation of premiers' offices. The PCCs meet quarterly and in some provinces monthly meetings take place as well. The PCCs exchange information such as best practices and deliberate on specific matters requiring input, consider progress made in supporting municipalities. Municipalities are also invited to present on progress they are making in implementing their audit remedial plans that respond to qualification issues or matters raised by the AGSA in order to provide guidance and assistance, where required.

Initiating the establishment of MPACs

A draft framework for the establishment of MPACs was developed, workshops for the establishment of MPACs were convened in all provinces and 103 MPACs have been established. However, following the local elections all municipalities, including those that to date have established MPACs, will have to establish or re-establish them.

Providing skills support in the finance and internal audit units

The DBSA Siyenza Manje programme in partnership with provinces as at December 2010 made the following deployments: 40 individual deployees (finance experts), 28 professional service providers (finance experts) and 57 young professionals. The focus of the finance experts has been on improving audit opinions and maintaining clean audits, implementing GRAP accounting standards, debtor management, revenue enhancement and MFMA financial reporting and planning.

In total 234 municipalities were supported financially through the DCOG-administered Municipal Systems Improvement Grant (MIG) to prepare financial statements.

Other support measures undertaken

Support 80% of municipalities to develop fraud prevention plans to ensure proper risk management and systems of internal control are in place and facilitate ethics management training for senior officials in municipalities.

Additional plans for the future

Some of the plans the DCOG will be implementing for the period 1 April 2011 to 31 March 2012 are as follows:

- In association with SALGA and Association of Public Accounts Committees (APAC), provide training to the established MPACs.
- In association with relevant stakeholders, assist municipalities to establish internal audit units and audit committees where they do not exist and initiate training to strengthen the functionality of audit committees.
- Launch and coordinate ethics campaign at selected municipalities to ensure ethical conduct by officials and support provincial departments responsible for local government and municipalities to initiate preliminary investigations and referrals of serious allegations.

3.4.3 National Treasury initiatives

Initiatives reported by National Treasury in prior financial year to date include the following:

MFMA implementation support structures

The structures that have been created to support provinces and municipalities with regards MFMA implementation by the National Treasury and Accountant-General include the Quarterly MFMA coordination forum, regional municipal CFO forums attended by municipal finance officials, Provincial Accountant-General forums the Operation Clean Audit Steering Committees. These structures deal with a range of financial management reforms as well as the support programme on Operation Clean Audit. The representation at these forums includes National Treasury, provincial treasuries, national and provincial Departments of Cooperative Governance, with the Auditor-General in attendance.

Preparation by municipalities for the audit of their financial statements

An MFMA circular, issued 30 July 2009, provided further guidance to all municipalities regarding processes, procedures, actions and technical checklists required for an effective audit. Operational plans were prepared by municipalities to address all audit findings and were being monitored by the respective provincial teams on a regular basis.

Funding the appointment of qualified and skilled staff

National government has refined the Financial Management Grant framework (FMG) and allocated over R400 million (of which as at end April 2011 an estimated 75% had been spent) to allow municipalities to

utilise the grant to make appropriate qualified and skilled appointments of financial personnel, promote and implement the graduate internship programme in various disciplines of financial management, and support all municipalities develop plans and implement corrective actions to address financial reforms and audit findings.

During the period July 2009 to January 2011, some 1 200 graduates were serving their internship programmes in municipalities and National Treasury had urged all municipalities to absorb these interns into the municipal structures once they attained the minimum qualifications as per the Competency Regulations issued under the MFMA.

Budget allocation for financial management and MFMA implementation monitoring

In the 2010 budget a baseline allocation of R5 million each was made to all provincial treasuries to strengthen their staffing capacity to be able to respond positively to municipal needs as they relate to financial management and monitoring of the MFMA implementation. These included the appointment of provincial officials in a wide range of areas to support municipalities in budgeting, reporting, annual financial statements, internal audits, supply chain management and monitoring of MFMA compliance generally.

Financial expertise made available to municipalities

Additional technical support was deployed to a number of municipalities country-wide. More than 27 financial advisors in municipalities as at April 2011 in addition to which more than 60 advisors were appointed to perform specific financial management tasks during 2010. The requests for financial advisors are expected to increase after the May 2011 municipal elections. It is envisaged that certain key changes will be made to the technical support programme during 2011 in order to strengthen and refocus the financial management support efforts.

Financial management and accounting tools

Further support initiatives undertaken during 2010 and plans for 2011 included training sessions held on asset management undertaken for all municipalities during November 2010 where planners, engineers and financial managers were brought together under one roof to share experiences on asset management practices and discussions were held on practical way to implement GRAP 17.

Tools were developed and made available to all municipalities on financial management issues, e.g. procedures to be followed to prepare reconciliations on bank, debtors and creditors reconciliations, computation of lease amortization schedule, etc. Further, since July 2010 detailed GRAP implementation training was conducted countrywide for all municipalities. Since March 2011 training was provided to low-capacity municipalities in different provinces on the GRAP-compliant annual financial statement template to mitigate the issue of submitting financial statements late and limit the use of consultants to compile financial statements for municipalities.

3.4.4 National SALGA initiatives

SALGA plans to focus on the following initiatives:

Financial management

SALGA will continue with the practice of annually convening a budget week in each province to discuss challenges faced by municipalities to share critical information. At these workshops, good practices on matters such as audit improvements, revenue management and fixed asset management is shared by municipalities within the provinces. This approach promotes peer-to-peer learning and support.

SALGA will continue participating in provincial-wide processes dealing with municipal financial management issues, specifically operation clean audit meetings, municipal engagements on outstanding government debtors and CFO forums convened by provincial treasuries.

Turnaround plans

Annually, following the release of audit reports, SALGA provincial offices analyse the reports and identify common challenges across municipalities. Workshops are then convened at a provincial or local/district level on these thematic areas such as workshops on supply chain, billing processes and internal audit.

IT controls

SALGA plans to explore defining municipal specific meanings and attributes of IT governance, controls and information systems risks. This will include the issuing of guidance and sharing of good practices.

Human resources management

SALGA will continue capacity development of officials and Councillors at municipalities to ensure their compliance with Treasury Regulations issued in 1 July 2007 on the competency of CFOs in terms of MFMA of 2003.

SALGA is working with speed to ensure that all section 56 and 57 employees adhere to this regulation by 2013 as required by the MFMA. SALGA partners in this initiative include the DBSA, the LGSETA, SAICA and Wits Business School.

Governance structures

SALGA convenes in most provinces District Area Finance Forums bringing together CFOs from local municipalities, audit committee members, internal audit and other stakeholders to monitor progress on audit improvement plans and discuss the annual financial roadmap in respect of the budget process, monthly and quarterly reporting and annual financial statements, including Annual Reports.



Together with CoGTA, a framework for the establishment of MPACs has been developed. At June 2011, the framework was awaiting final sign-off.

As part of the new councillors' capacity programme, SALGA, in partnership with National Treasury, CoGTA and APAC, will be rolling out training on oversight with focus on MPACs. The training will include amongst others, the role and responsibilities of MPACs and reporting mechanisms. The training will be rolled out in September and October 2011.

SALGA and National Treasury will also be conducting in July 2011 a Municipal Finance Induction for newly appointed MMCs of Finance following the general councillor induction sessions.

Adoption of municipalities

SALGA is piloting a programme of adopting and supporting municipalities who need assistance with internally and externally expertise on audit turnarounds. The main focus is responding to audit issues raised by Auditor-General.

3.5 Matters dealt with at trilateral meeting between the ASB, National Treasury and the AGSA

An effective relationship with the National Treasury and, more specifically, the Office of the Accountant-General (OAG), is critical to the responsibilities of the AGSA as auditor of government. Interaction with the OAG takes place at a number of different levels, both formally and informally. Further, the AGSA is represented on the Accounting Standards Board (ASB) and quarterly trilateral meetings are conducted with the ASB and the National Treasury. Discussions and meetings also take place between technical staff of the ASB, the OAG and the AGSA on a regular basis. The ASB assists with the interpretation and resolution of accounting matters.

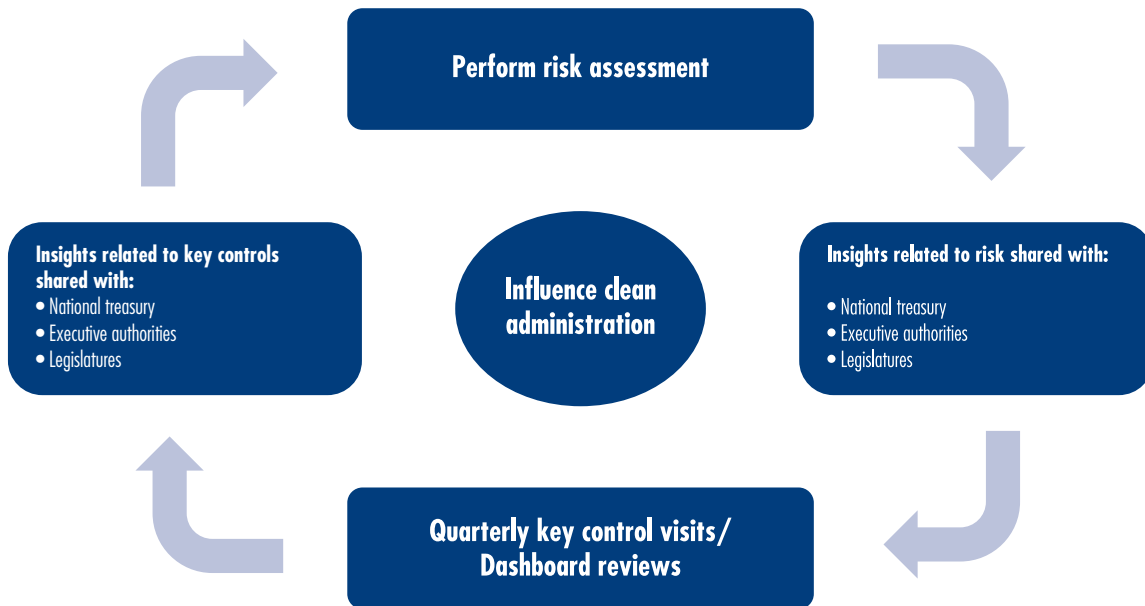
The following matters were highlighted at the April 2011 trilateral meeting:

- Emerging risks – entities should ensure that they are aware of when the applicable transitional provisions for the implementation of GRAP expire and that they have a plan to ensure full compliance prior to that date
- A comparison has been made of GRAP with IFRS for SMEs and a decision will be made on the possibility of simplifying certain GRAP requirements and whether differential reporting is required, i.e. a more simple framework for smaller entities. Areas where additional training is required have also been identified. Accounting guidelines have been prepared by National Treasury which will assist in the implementation of GRAP.
- A CFO handbook has also been prepared and published by National Treasury. This tool can be used by municipalities in the addressing of the audit outcomes.
- National Treasury will undertake presentations on GRAP and will develop a tool for assessing knowledge of GRAP.

3.6 AGSA initiatives to encourage clean administration

The key elements of the AGSA's initiatives to encourage clean administration are depicted below. Similar initiatives are being rolled out in the provinces.

Figure 29: Key elements of the AGSA's initiatives to influence audit outcomes (national front)



3.6.1 Identification of risks to audit outcomes

The auditing standards require the auditor to have a clear understanding of the audit risks associated with the sector, in this case the local government sector. In response to these standards and in order to encourage clean administration, the AGSA briefed National Treasury in August 2010 on key risks to the 2009-10 audit outcomes of local government.

Key risks identified included the probability of the following:

- Oversight bodies have not implemented remedial action as agreed at stakeholder interventions.
- Late implementation of corrective action plans due to attention to other government projects.
- Continued high levels of vacancies/lack of skills in key positions.
- Use of consultants sometimes without transfer of knowledge.
- Late or non-submission of report on predetermined objectives for audit purposes.
- Improper reporting on performance information to cover non achievement of targets set by government.
- Impact of global financial crisis – going concern and financial sustainability.
- Occurrence of unauthorised, fruitless and wasteful and irregular expenditure related to budget not spent for the purposes intended.
- Fraud, corruption, collusion, theft or conflict of interest related to SCM.

While there was indeed an overall improvement in audit opinions, other aspects of financial management and findings arising from the audit of predetermined objectives and compliance with laws and regulations confirmed the accuracy of the AGSA risk assessment, an update of which was presented in March 2001 in respect of the 2010-11 audit outcomes. The AGSA will continue to engage role players identified risks may have on audit outcomes.

Overall the AGSA will continue to initiate meetings and discussions with both national and provincial role players, the basis of which will be the results of quarterly key control assessments as well as the nine focus areas identified for national and provincial role players following the analysis of the drivers of the 2009-10 audit outcomes.

3.6.2 Continuing AGSA initiatives nationally

On the national front the AGSA will continue with its quarterly trilateral meetings with National Treasury and the ASB to chart the way forward on accounting and audit-related matters that affect local government. Progress with implementing commitments given by National CoGTA and SALGA will be monitored and key control-related/ focus area information shared with them throughout the financial year. Where required, further sessions will be held with national and provincial role players to promote a focus on reporting on predetermined objectives.

3.6.3 Continuing AGSA initiatives in the provinces

In the provinces the AGSA will continue quarterly discussions with the troika (Premier, MEC for Finance and MEC for Local Government) to present the status following key control discussions. We will also continue to participate in Operation Clean Audit and attend NCOP, SCOPA and portfolio committee oversight meetings.

The AGSA will maintain its visibility at municipalities by engaging in interactions on audit outcomes-related matters with provincial treasuries, municipal public accounts committees (MPACs) and municipal mayors. The AGSA has scheduled training workshops on reporting on predetermined objectives district-by-district for the municipalities. An outline of existing and envisaged interaction in provinces is as follows:

CoGTA (Operation clean audit)

Even though the AGSA is not a member of the forum, it has a standing invitation to attend meetings. AGSA representatives will attend these meetings and provide guidance where required.

Provincial leadership

The results of quarterly key control sessions held by the AGSA with municipal leadership will be shared with premiers and the MECs for local government and Finance.

Oversight (MPACs)

The MPACs are not yet fully functional in all provinces. Where established, the AGSA will attend committee meetings to brief them on findings and assist with them with the evaluation responses received from management.

Mayors

Senior AGSA staff will have formal meetings with mayors on key controls on a quarterly basis to equip them, inter alia, to ask management-relevant questions relating to the financial management of the municipalities, including progress in addressing qualification findings.

Commitments arising from these interactions are formally documented by the AGSA and followed up quarterly.

3.7 Other emerging matters that require attention to prevent a negative impact on future audit outcomes

Continuity in leadership initiatives

The change in leadership, mayors and councillors in municipalities resulting from the May 2011 local government elections poses a risk of new leadership not building on the successes of the past due to the fact that good practices are not entrenched within the municipalities.

Predetermined objectives

The majority of municipalities and municipal entities whose audits were finalised by 31 January 2011 had findings on predetermined objectives. Actions should be taken to address the significant deficiencies relating to the audit of predetermined objectives. Should actions not be taken and regularly monitored and reviewed for completeness and implementation, the audit outcomes of the municipalities might be modified once the decision is made to elevate the conclusion on predetermined objectives of the auditor's report.

Compliance with GRAP standards

All the transitional provisions on the GRAP standards will expire on 30 June 2012. Low-capacity municipalities will be expected to be fully compliant with all the standards. The municipalities are currently struggling with compliance mainly due to funding constraints and capacity especially on GRAP 17.

SECTION 4: DRIVERS OF AUDIT OUTCOMES

This section of the general report:

- Provides a provincial analysis of key controls.
- Provides an assessment of the key controls and outline of their related criteria.
- Outlines of recommended focus areas for national and provincial role players.
- Overview of needs and challenges of provincial role players at the time of the audit.

4.1 Provincial analysis of key controls

Annexure 4 to this report lists auditees together with an assessment of the adequacy key controls at the time of the audit. Tables 18 and 19 provide a provincial assessment of key controls at the time of the audit. Figures 30 through to 32 provide descriptive analysis and assessments of the leadership, financial and performance management and governance.

Table 18: Provincial analysis of drivers of audit outcomes – Municipalities

Province	Leadership			Financial and performance management			Governance		
	Good	In progress	Intervention required	Good	In progress	Intervention required	Good	In progress	Intervention required
Eastern Cape	6%	36%	58%	6%	32%	62%	6%	40%	54%
Free State	11%	50%	39%	5%	52%	43%	7%	70%	23%
Gauteng	63%	22%	15%	51%	29%	20%	65%	16%	19%
KwaZulu-Natal	55%	36%	9%	45%	45%	10%	55%	39%	6%
Limpopo	22%	31%	47%	20%	41%	39%	12%	41%	47%
Mpumalanga	35%	24%	41%	31%	26%	43%	43%	19%	38%
Northern Cape	11%	34%	55%	9%	32%	59%	9%	33%	58%
North West	3%	64%	33%	8%	52%	40%	3%	43%	54%
Western Cape	46%	31%	23%	47%	29%	24%	55%	27%	18%

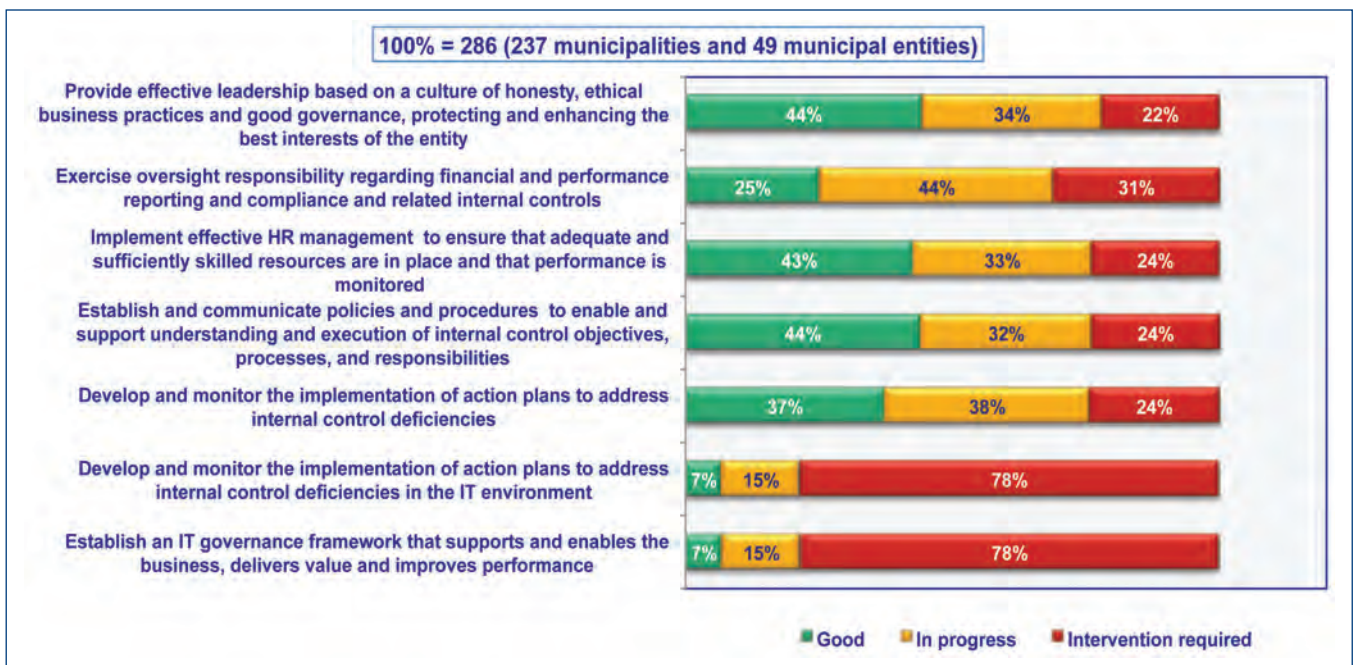
Table 19: Provincial analysis of drivers of audit outcomes – Municipal entities (applicable provinces)

Province	Leadership			Financial and performance management			Governance		
	Good	In progress	Intervention required	Good	In progress	Intervention required	Good	In progress	Intervention required
Eastern Cape	47%	33%	20%	44%	29%	27%	41%	26%	33%
Free State	6%	67%	27%	2%	54%	44%	2%	65%	33%
Gauteng	81%	17%	2%	73%	20%	7%	90%	7%	3%
KwaZulu-Natal	51%	38%	11%	52%	33%	15%	49%	38%	13%
Limpopo	12%	59%	29%	31%	66%	3%	67%	33%	0%
North West	27%	73%	0%	17%	83%	0%	17%	83%	0%
Western Cape	75%	25%	0%	75%	25%	0%	75%	25%	0%

4.2 Assessment of the key controls and outline of their related criteria

An assessment of each of the three drivers at the time of the audit together with an explanation of applicable criteria is presented below.

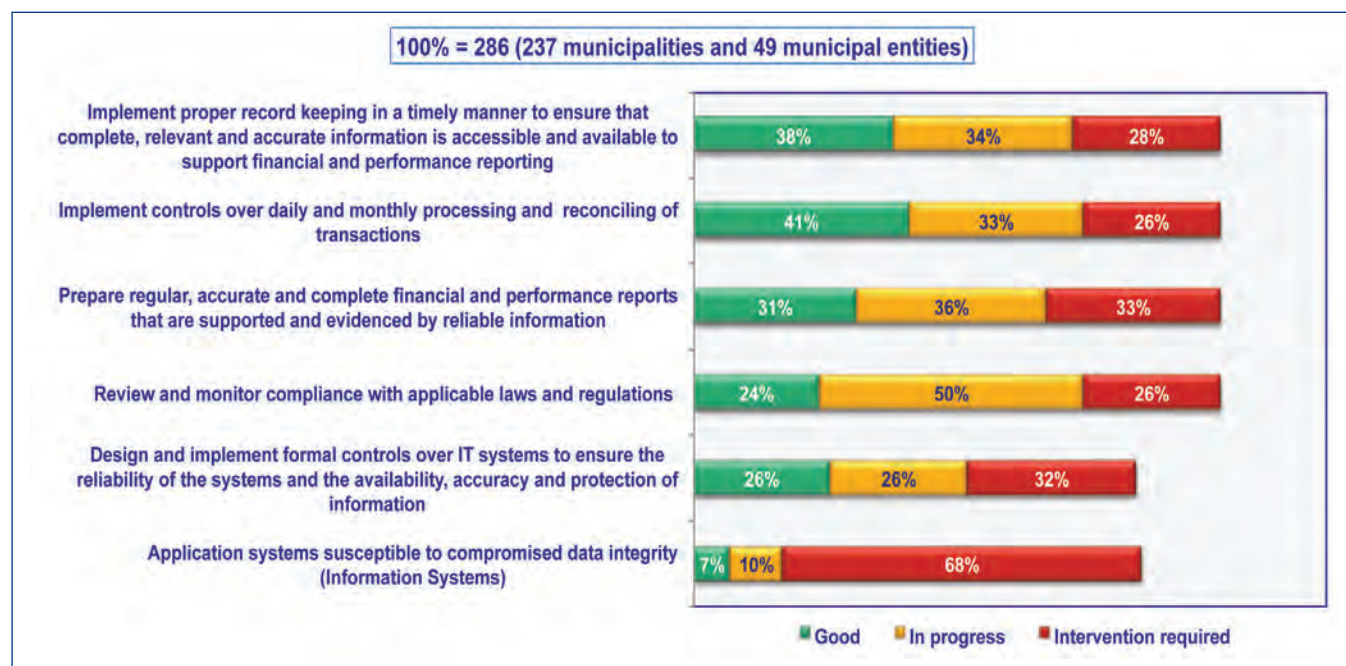
Figure 30: Driver number 1 – Leadership



Effective leadership should be exercised at all levels of those charged with governance and management. This is in direct correlation to the level of work that is required to resolve the 110 qualified audit opinions that remain, despite a reduction of 33% (53 qualified opinions) as compared to the 163 in the prior year.



Figure 31: Driver number 2 – Financial and performance management



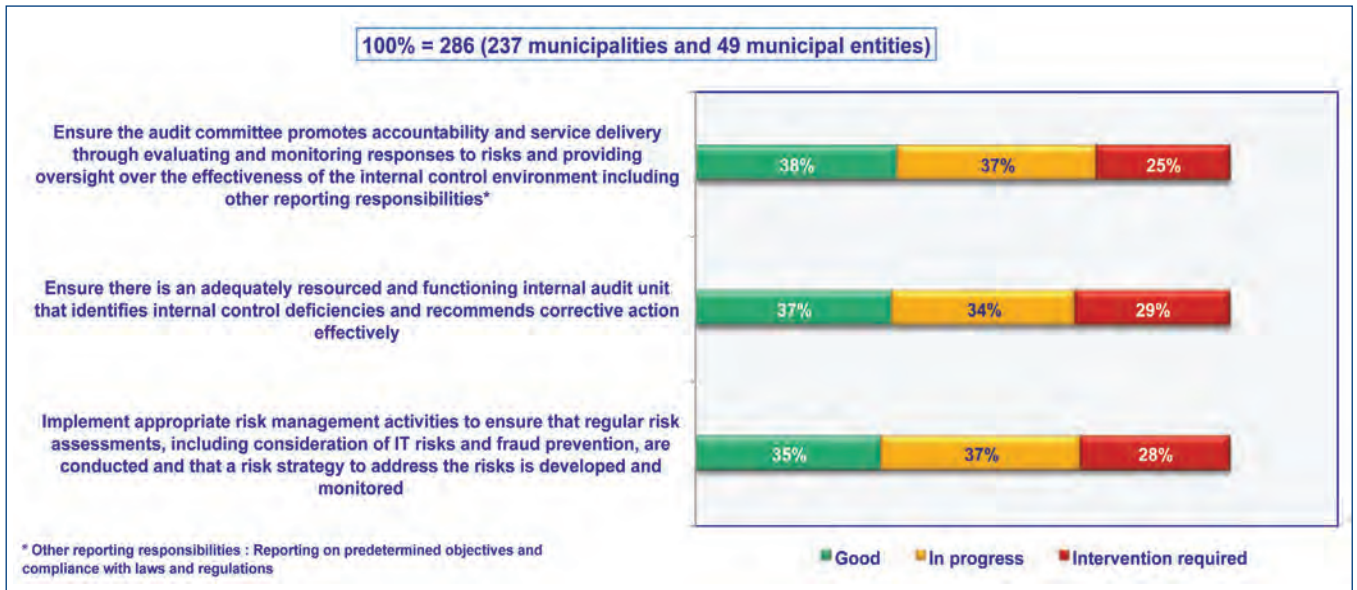
The basic controls to improving financial and performance management include the following:

- Regular preparation of complete and accurate financial and performance reports that are supported by reliable information.
- Review and monitoring of compliance with laws and regulations.
- Implementing proper record keeping to ensure that complete, relevant and accurate information is accessible and available in a timely manner to support financial and performance reporting.
- Implementing controls over daily and monthly processing and reconciling of transactions.
- Designing and implementing formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Those charged with governance have a responsibility to prepare quality, reliable financial statements and management information. This responsibility should be supported by the recruitment of competent individuals who understand the financial reporting framework (including knowledge of the controls and related processes) and performance management requirements.

A high proportion of findings remain work in progress (50%) with regards to the review and monitoring of compliance with applicable laws and regulations. Therefore there is a risk of a regression of outcomes for those 120 municipalities and 29 municipal entities, that recorded a “Financially unqualified with findings on predetermined objectives and/or compliance with laws and regulations” opinion.

Figure 32: Driver number 3 – Governance



Good governance practices include the following:

- Implementing appropriate risk management activities to ensure that regular risk assessments, including consideration of IT risks and fraud prevention, are conducted and that a strategy to address the risks is developed and monitored.
- Ensuring that there is an adequately resourced and effectively functioning internal audit unit that identifies internal control deficiencies and recommends corrective action.
- Ensuring that the audit committee promotes accountability and service delivery through evaluating and monitoring responses to risks and providing oversight of the effectiveness of the internal control environment, including financial and performance reporting and compliance with laws and regulations.

The overall impression of the good strides being made is distorted by the number of findings that are either in progress or require intervention. Some of the reasons are as follows:

- Risk management activities and steps to improve the effectiveness of the audit committee are in progress.
- Audit committees are in existence; however, there is room for improving the effective functioning of the audit committee.
- Lack of a close working relationship between internal audit and audit committee.
- Contracting-out of the internal audit function and instances of non-implementation of internal audit recommendations have been cited.
- Lack of capacity at internal audit.

Therefore greater emphasis is placed on audit committees playing a more active role in monitoring corrective measures on previous modifications to audit reports throughout the financial year and only internal auditors with the necessary competencies and skills should be appointed. The audit committees should monitor the activities of the internal audit function to ensure that they fulfil their roles and responsibilities.



Information technology as a specific driver of audit outcomes and service delivery

IT is a key driver of financial and performance management and compliance.

The following control objectives apply to the management of IT:

- Establish an IT governance framework that supports and enables the business, delivers value and improves performance.
- Develop and monitor the implementation of action plans to address internal control deficiencies in the IT environment.
- Design and implement formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Details of IT focus areas findings are as follows:

IT governance

IT governance is the responsibility of the executive management. It is an integral part of the organisation's governance and consists of the leadership and organisational structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives. IT governance is important as it allows the organisation to manage IT risks, derive value from IT investments and support the achievement of business objectives that are dependent on IT systems. The IT control framework is integral to IT governance and provides overall guidance on the implementation of IT governance within the organisation and ensures the positioning of IT, resource requirements, risk and internal control management.

Key findings that were commonly identified during these audits:

- Lack of an approved IT strategic plan – in instances where the IT strategic plan had been approved, it had not been implemented or implementation was not monitored.
- An IT steering committee had not been established to monitor IT strategic actions to ensure that they support business objectives. In instances where these committees had been established, they were not functioning effectively.
- Lack of a formal IT risk register to ensure that risks were adequately recorded and followed up.
- Lack of policies and procedures to direct and ensure an understanding of management objectives. In instances where policies and procedures were in place, they were inadequate to address IT risks.
- The functions of the information security officer had not been allocated and in instances where they had been allocated, they were inadequately performed to ensure that IT systems were protected.
- Lack of service level agreements (SLAs) to monitor the high number of consultants and vendors employed. In instances where SLAs were in place, they were not monitored.
- There is currently 36% IT vacancy rate at audited municipalities.

Security management

The IT section is responsible for ensuring that security measures are in place to prevent unauthorised access to networks and operating systems that grant access to the application systems.

Key findings that were commonly identified during these audits:

- Operating system standards and procedures had not been implemented.
- The administration and management of security controls was inadequate to detect and prevent unauthorised access to the application systems that generate financial statements.
- Operating system security parameters had not been adequately set to provide optimal security.
- Administrator access rights were allocated to a high number of users. This level of access allows users uncontrolled access to the organisation's network and systems. This vulnerability was exacerbated by the lack of periodic reviews of access and logon violation reports.

Specialist skills are needed to implement and manage these functions and the controls in place were not strong enough due to the lack of adequate skills.

User access control

User access control is the systematic process of managing the access of users to the application. The process includes the creation, review, disabling and removal of user accounts. Chief financial officers (CFOs) are responsible for these functions. These controls also serve as compensating controls where security management controls are not effective.

Key findings that were commonly identified during these audits:

- Lack of user account management procedures – in instances where procedures had been designed, they were inadequate to ensure that sufficient controls were implemented during the creation and amendment of access.
- Users' access was not reviewed to ensure that it remained commensurate with their job responsibilities.
- The activities of the system administrators were not monitored to ensure that their superuser access was not inappropriately used.
- Inactive or unused user IDs were not timely removed from the system or deactivated to ensure that they would not be used to gain unauthorised access to financial systems.

A good practice guide, *User account management*, had been compiled and distributed to municipalities. Presentations were also made where requested.

Program change management

Program change management ensures that any proposed changes to the existing information systems environment are coordinated, scheduled, authorised and tested to prevent unnecessary disruptions, erroneous changes and unauthorised and inappropriate access.



Key audit findings that were commonly identified:

- Change control standards and procedures were not in place. In instances where these had been developed, they had not been approved and were inadequate to address risks, or the standards and procedures were not in place/in place but not approved/inadequate/not adhered to.
- Procedures in respect of change requests, the approval of changes, the testing and closure of changes, management of the configuration, source code version control, definition of the environment (development, quality assurance/testing and production), patch management and application upgrades were not adequate.
- Programmers were allowed access to the production environment. Where such access was required due to reliance on vendors, management did not monitor the access of vendors to ensure that no unauthorised activities were performed by the programmers.

Facilities and environmental control

In terms of information systems, facilities and environmental controls are required to ensure the security, integrity, condition, performance and accessibility of the systems and the system information.

Key audit findings that were commonly identified:

- Physical access to the server rooms that support financial systems was not controlled to ensure that only authorised individuals would be able to gain access.
- Environmental controls, such as the uninterruptible power supply (UPS), generators, air-conditioning and humidity control systems and fire-suppression systems, which assist in ensuring that IT equipment functions optimally, were not maintained.

Data centre management

Data centre management relates to the management of scheduled processing, the protection of sensitive output, the monitoring of infrastructure performance and ensuring effective preventive maintenance of hardware.

Key audit findings that were commonly identified:

- Scheduled processing, which would ensure that all transactions were processed as intended, was not monitored.
- Policies and procedures relating to the operations of the network were either not in place or inadequate.
- Maintenance procedures and schedules for system software and devices were lacking.
- System performance was not monitored and reported to management.

IT service continuity

IT service continuity is the process of managing the availability of hardware, system software, application software and data to enable an organisation to recover/establish information system services in the event of a disaster. The process includes business continuity planning, disaster recovery plans and backups.

Key audit findings that were commonly identified:

- Lack of formally documented and approved or incomplete business continuity plans that incorporate IT disaster recovery plans – where disaster recovery plans were in place, they were not regularly updated and tested.
- Lack of backup standards and procedures – in instances where these were in place, they were inadequate.

Backups were not kept in an off-site storage location.

4.3 Outline of recommended focus areas for national and provincial role players

Nine focus areas have been identified for national and provincial role-players. An overview of the focus areas and an assessment at the time of the 2009-10 audits are outlined below.

Focus area number 1: Supply chain management

- Officials involved in bid evaluation and adjudication:
 - must receive formal training in SCM,
 - must be familiar with and instructed to adhere to all relevant SCM legislation, policy guides and National Treasury practice notes and circulars,
 - declare any financial interest they may have in any contract, and
 - satisfy the National Treasury-specified technical knowledge and skills requirements for all role players in SCM process.
- Systems of internal control must be implemented and maintained that minimises the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices.

Focus area number 2: Promoting the reliability, usefulness and regulatory requirements of reporting against predetermined objectives

- The National Treasury *Framework for Programme Performance Information* should be used as a starting point to address defects in service delivery reports, as it outlines the following key matters:
 - The importance of performance information as a management tool.
 - The link between this framework and the government-wide monitoring and evaluation system.
 - The role of performance information in planning, budgeting and reporting.
 - Key concepts, including the criteria for good performance indicators.
 - An approach to developing performance indicators.
 - The capacity required to manage and use performance information.

- The roles of key government institutions in performance information management.
- The publication of performance information.
- As is the case for financial reporting, management must formally design, implement and monitor internal controls to ensure the accuracy, completeness as validity of information, as these do not naturally evolve.
- Performance audit committees and internal audit units need to evaluate and periodically test the adequacy of system for service delivery data collection and validation

Focus area number 3: Financial management

- The preparation of full sets of financial statements at least quarterly that are reviewed by management and audit committees will more timeously detect material misstatements.
- The emphasis should shift to controls to prevent unauthorised, irregular or fruitless and wasteful expenditure and full and timeous disclosure made where controls fail to prevent such occurrences.
- The cost of support by consultants need to be better managed and own systems improved to produce more reliable information for consultants to use in technically challenging areas of reporting.

Focus area number 4: Turnaround plans

- Attention needs to be given to specific financial statement qualification findings.
- Progress with the implementation of these plans must be monitored by those charged with governance and oversight.

Focus area number 5: Information technology (IT)

- Identified risks and vulnerabilities must be addressed.
- The cost to local governments of acquiring so many different computer packages and the cost of maintaining so many different systems needs to be determined and managed.

Focus area number 6: Human resource management

- Mayors and municipal managers have the specific responsibility to ensure adequate staffing levels and continuity at CFO level.

Focus area number 7: Use of consultants

- The use of consultants by municipalities and municipal entities to complement and in some cases supplement management is a temporary solution and adequate transfer of skill has not occurred to enable municipalities to sustain accounting processes.
- Service level agreements must be put in place and the performance of consultants monitored.
- Provinces need to properly co-ordinate the use of consultants at the municipalities so that the existing skills shortages are adequately addressed in a structured manner.

Focus area number 8: Municipalities under administration

- Timeous, structured intervention is required in order that an acceptable level of service delivery to communities is restored.

Focus area number 9: Governance structures

- Audit committees must be constituted as provided for by the MFMA and as a minimum must perform their legislated duties for the entire financial year.
- Internal audit units must be adequately staffed and their annual coverage plan must include compliance and performance management.
- Risk assessment must be performed and responded to by management and internal audit coverage plans.

4.4 Overview of needs and challenges of provincial role players at the time of the audit

Provincial CoGTA (Operation Clean Audit)

- In some provinces provincial OPCA is still a new concept and committee are finalising their terms of reference. Action plans on how the committee is going to work with municipalities are still being developed and will be implemented in due course.
- Constraints such as inadequate capacity within some provincial CoGTAs continue to limit the success of their interventions in assisting municipalities to improve their financial management and governance practices.

Provincial leadership and provincial treasuries

- Even though the department has arranged “predetermined objectives” training for CFOs, more intervention is still required, i.e. working closely with municipalities’ strategy units, provide training predetermined objectives framework across all municipalities. Furthermore, more intervention is required to address IT audit findings. The challenge is that the provincial treasury might not have IT skills to help municipalities address IT audit findings.
- Constraints such as inadequate capacity within the provincial treasury to regularly visit municipalities and perform regular monitoring, as well as a lack of sufficient knowledge of the local government sphere continue to limit the success of their interventions in assisting municipalities to improve their financial management and governance practices.
- Some provincial treasuries (the owners of financial systems and accounting policies) do not have the relevant resources available to address the financial shortcomings within the municipalities. Consequently, they have had very limited interactions and did not have an impact on improving the audit outcomes within those provinces.

Speakers' forums and MPACs

- In some provinces there is little tangible evidence that these structures are effectively involved in driving positive audit outcomes in municipalities.
- The support provided to municipalities by the Departments of Finance and Local Government within the provincial sphere is very limited due to the lack of capacity within the province. In addition the provincial interventions are not co-ordinated between all the role players therefore the maximum benefit is not received by the municipalities.
- In some provinces the Provincial Speaker has set up a speaker's forum that includes all municipal speakers within the province. Most of these were set up towards the latter part of the financial year under review. This forum focused on educating the speakers on their responsibilities and setting up a formalised oversight process.
- Very few municipalities have set up a MPAC. This committee is required in terms of sections 79 and 80 of the Municipal Structures Act and is instrumental in providing an additional oversight support to the municipality in terms of its administration. With the ultimate goal of clean administration in mind the establishment of MPACs might begin to drive the results desired.
- CoGTA is in the process of training members of MPAC in their roles and responsibilities as a committee member.
- Some provinces have an MUNIMEC which monitors the actions of the municipalities per district. This forum has raised awareness of the importance of ensuring accountability, but the impact of their actions is not evident from the audit outcomes. The reasons for this is directly linked to issues such as skills shortages at municipalities and the fact that municipalities often operate in 'crisis mode' thus not allowing adequate time to address the basics required.

SECTION 5: SIGNIFICANT FINDINGS ARISING FROM THE AUDIT OF SUPPLY CHAIN MANAGEMENT

This section of the general report provides information on the following findings related to supply chain management:

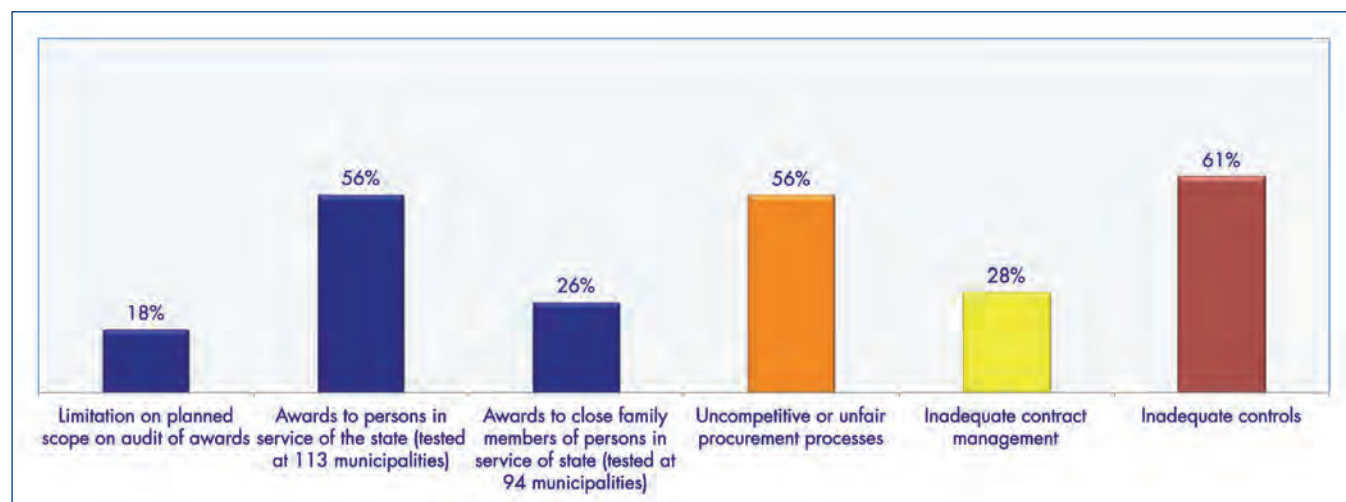
- Limitations on planned scope of audit of awards.
- Awards to persons in the service of the state.
- Awards to family members of persons in the service of the state.
- Uncompetitive or unfair procurement processes.
- Inadequate contract management.
- Inadequate SCM controls.

The audits conducted at municipalities and municipal entities for the year included an assessment of procurement processes, contract management and the controls in place to ensure a fair, equitable, transparent, competitive and cost-effective SCM system that complies with legislation and that minimises the likelihood of fraud, corruption, favouritism as well as unfair and irregular practices. The findings presented in this section relate to the 237 municipalities and 49 municipal entities whose audit reports were issued by 31 January 2011.

As is evident from the analysis of irregular expenditure (section 2.4.2), R3,9 billion (94%) of the irregular expenditure incurred by auditees was as a result of the contravention of the SCM policy and legislation. Eighty-nine per cent of irregular expenditure was identified during the audit process.

In most instances, the incomplete identification of SCM irregular expenditure was as a result of the incorrect interpretation of the definition of irregular expenditure and SCM legislation as well as inadequate processes and procedures to identify such irregular expenditure.

The figure below presents a summary of findings on SCM. Details of the most prevalent findings are provided below under the headings as depicted in the figure. The percentages are based on the number of auditees where the findings were identified. The SCM findings per auditee are included in annexure 5.

Figure 33: Summary of findings on supply chain management

5.1 Limitations on planned scope of audit of awards

Sufficient appropriate audit evidence could not be provided at all the auditees that contracts had been awarded and quotations had been accepted (hereinafter referred to as "awards") in accordance with the requirements of the SCM policy and legislation.

The reason for this limitation on the scope of the audit was inadequate documentation of the procurement processes followed or missing documentation as a result of inadequate record keeping and document management.

The limitations encountered in the provinces are depicted below.

Table 20: Limitations on scope of audit encountered – Municipalities and municipal entities

Province	Number of auditees	Percentage of auditees tested	Awards	
			Number	R'000
Eastern Cape	10	21%	651	271 790*
Free State	10	40%	367	328 862
Gauteng	1	3%	1	2 685
KwaZulu-Natal	5	7%	83*	68 966
Limpopo	4	15%	Unknown*	15 163
Mpumalanga	4	21%	318*	61 372
Northern Cape	4	18%	198	31 348
North West	7	70%	174	401 682
Western Cape	6	19%	213*	93 576*
Total	51	18%	2 005	1 275 444

* The value/number of awards could not be fully established at all the auditees as the information could not be obtained – the actual value/number is expected to be higher than portrayed here.

Missing and inadequate documentation is considered an indicator of fraud risk and the management of the municipalities concerned was urged to investigate the identified awards.

No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular.

As a result of the limitations encountered, the findings reported in the balance of this section might not reflect the true extent of irregularities and SCM weaknesses at the auditees where the limitations were encountered.

5.2 Awards to persons in the service of the state

SCM Regulation 44 prohibits awards to persons or entities whose directors, members, principal shareholders or stakeholders are in the service of the state. Expenditure incurred in this regard is also considered to be irregular.

A provider is required by SCM Regulation 13(c)(i) and (ii) to declare whether he/she is in the service of the state or, if not a natural person, if any of its directors, members, principal shareholders or stakeholders are in the service of the state. Non-disclosure constitutes a corrupt and fraudulent act and should be investigated and dealt with in accordance with the measures outlined in the SCM policy and SCM Regulation 38, which includes cancelling the contract with the provider.

Persons in the service of the auditee must declare their interests in providers, as required by the municipal SCM code of ethics and/or through their annual declarations required by the code of conduct for councillors and municipal staff members in terms of the MSA.

Furthermore, persons with an interest in a provider are not allowed to participate in the procurement processes and/or making the award to the provider in which he/she has an interest, as it contravenes the SCM code of ethics and SCM Regulation 46(2)(f) and the person can possibly influence the awarding process.

The identification and audit of awards to persons in the service of the state were this year limited to all metropolitan and high-capacity municipalities and their entities as well as some lower capacity municipalities. The awards identified were also tested to determine whether additional irregularities identified could be an indication that decisions or recommendations were unlawfully and improperly influenced.

The following table depicts the audit findings for those auditees where the prohibited awards were identified.

Table 21: Awards to persons in the service of the state (applicable provinces)

Province	Percentage of auditees tested	Number of auditees with findings	Irregular expenditure	Awards to persons in service of the state				Further irregularities regarding awards made							
				In service of the auditee		In service of other institution		Provider did not declare interest		Person in service of the auditee did not declare interest		Person was involved in making the award		Additional irregularities identified with the award	
				R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number
Eastern Cape	55%	6	14 921	8	12 926	11	1 995	6	7 675	2	3				
Free State	86%	6	13 360	5	1 913	21	11 447	13	8 070	2	1 463				
Gauteng	29%	2	3 851	3	233	13	3 618	14	3 639	2	212				
KwaZulu-Natal	54%	20	51 561	83	22 997	260	28 564	85*	15 334	35*	5 117	1	2	41	11 278
Limpopo	40%	2	13 650	21	13 650										
Mpumalanga	50%	5	20 912	86	13 626	36	7 286	1	32	9	769				
North West	83%	5	11 084	13	8 849	24	2 235	27*	2 443	9	825			*	
Western Cape	68%	17	9 406	12	2 293	46	7 113	41	4 319	12	1 995				
Total	56%	63	138 745	231	76 487	411	62 258	187	41 512	71	10 384	1	2	41	11 278

* The declarations and bidding documentation could not be provided for audit at all the auditees.

The table below depicts number of municipalities where positions of influence were held by the identified persons in the service of the state.

Table 22: Positions of persons in the service of the municipality to whom awards were made (applicable provinces)

Province	Position			
	Councillor	Mayor	Municipal manager	Senior manager
Eastern Cape	4			
Free State	1			
Gauteng				1
KwaZulu-Natal	4			
Limpopo	1			1
Mpumalanga	2			
North West	4		1	
Western Cape	3	1		
Total	19	1	1	2

5.3 Awards to family members of persons in the service of the state

Awards to persons or entities whose directors, members, principal shareholders or stakeholders are close family members of persons in the service of the state, whether at the auditee or any other state institution, are not prohibited, but any such awards of more than R2 000 must be disclosed in the financial statements of the auditee as required by SCM Regulation 45.

A provider is required by SCM Regulation 13(c)(iii) to declare whether he/she is a close family member of a person in the service of the state or, if not a natural person, if any of its directors, members, principal shareholders or stakeholders are a close family member. Non-disclosure constitutes a corrupt and fraudulent act and should be investigated and dealt with in accordance with the measures outlined in the SCM policy and SCM Regulation 38, which includes cancelling the contract with the provider.

SCM officials or those otherwise involved in SCM must declare any interests in providers (including family ties to the provider), as required by the municipal SCM code of ethics and SCM Regulation 46(2)(e).

Furthermore, persons with an interest in a provider are not allowed to participate in the procurement processes and/or making the award to the provider in which he/she has an interest, as it contravenes the SCM code of ethics and SCM Regulation 46(2)(f) and the person can possibly influence the awarding process.

The identification of awards to close family members of persons in the service of the state was this year limited to those auditees where information on family members could be obtained. The awards identified were also tested to determine whether additional irregularities identified are an indication that decisions or recommendations were unlawfully or improperly influenced.

The table below depicts the audit findings for the auditees where such awards were identified.

Table 23: Awards to close family members of persons in the service of the state (applicable provinces)

Province	Percentage of auditees tested	Number of auditees with findings	Irregular expenditure	Awards to close family members of persons in service of state					Non-compliance with regard to the awards made							
				In service of auditee		In service of other institution			No or incomplete disclosure in annual financial statements		Provider did not declare interest		SCM official or roleplayer did not declare interest		Person was involved in making the award	
				R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000	Number	R'000
Eastern Cape	33%	4	2 314	5	2 261	1	53	6	2 314	2	1 939					
Free State	25%	1	798	1	798											
KwaZulu-Natal	19%	6	89 568	8	89 566	1	2	4	88 425	1	109	1	2	1	386	
North West	33%	2	2 079	1	29	1	2 050									
Western Cape	42%	11	15 618	28	8 953	5	6 665	15	6 013	2	52	1	23	1	5 200	
Total	26%	24	110 377	43	101 607	8	8 770	25	96 752	5	2 100	2	25	2	5 586	



The table below depicts the number of auditees where positions of influence were held by the identified persons in the service of the state.

Table 24: Positions of persons in the service of the auditee whose close family member received awards (applicable provinces)

Province	Position				
	Councillor or director	Mayor	Municipal manager	Senior manager	SCM official
Eastern Cape	1	1	1	2	
Free State	1				
KwaZulu-Natal		1		2	1
North West					1
Western Cape	3	1	1	1	
Total	5	3	2	5	2

5.4 Uncompetitive or unfair procurement processes

The most prevalent findings on non-compliance with legislation which resulted in uncompetitive or unfair procurement processes are summarised in the table below. Where applicable to the finding, the amount of irregular expenditure incurred is indicated.

Table 25: Findings on uncompetitive or unfair procurement processes

Province	Three price quotations not obtained		Competitive bids not invited		Deviations from processes not justifiable		Inadequate public invitations		No proof of tax clearance		Preference points system not applied		Other findings
	Number of auditees	R'000	Number of auditees	R'000	Number of auditees	R'000	Number of auditees	R'000	Number	R'000	Number	R'000	Number
Eastern Cape	20	12 130	7	27 011	4	25 794	3	8 272	12	44 886			
Free State	14	38 174	14	205 376	5	130 927					5	21 509	18
Gauteng	8	912	2	7 871	2	158 499			2	68			
KwaZulu-Natal	22	69 857	11	308 666			4	113 863			12	23 361	23
Limpopo	3	921			4	7 056	2	851			3	7 984	4
Mpumalanga	7	6 029	2	46 867	2	37 636	3	2 782					11
Northern Cape	12	7 034	8	10 145			4	3 846	6	4 546	4	12 105	
North West	5	3 811	3	35 316			6	49 872	5	6 919			7
Western Cape	11	8 678	6	14 631	6	12 148					3	922	
Total	102	147 546	53	655 883	23	372 060	22	179 486	25	56 419	27	65 881	63
Percentage of tested auditees with findings	36%		19%		8%		8%		9%		9%		22%

Further details on the legislation not complied with are as follows:



Three price quotations not obtained

In terms of SCM Regulation 12(1)(c), formal written price quotations should be obtained for procurement of goods and services of a transaction value between R10 000 and R200 000 (VAT included). In terms of SCM Regulation 17(1), quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers or, if not on the list, from providers that meet the listing criteria. If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the CFO or someone designated by him/her.

Competitive bids not invited

In terms of SCM Regulation 12(1)(d), a competitive bidding process should be followed for procurement of goods and services above a transaction value of R200 000 (VAT included) and a deviation from the process should be approved by the accounting officer or someone designated by him/her.

Deviations from procurement processes not justifiable

In terms of SCM Regulation 36(1), an accounting officer may dispense with the official procurement processes and procure any required goods or services through any convenient process, but only:

- (i) in an emergency
- (ii) if such goods or services are only produced or available from a single provider
- (iii) in any other exceptional case where it is impractical or impossible to follow the official procurement process

In addition, SCM Regulation 17(1) allows less than three quotations if it is not possible to obtain the required number of quotations.

Inadequate public invitations

In terms of SCM Regulation 22(2), an accounting officer may determine a closure date for the submission of bids which is less than the required 30 or 14 days, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official process.

In terms of SCM Regulation 18(a), invitations for price quotations should be advertised for at least seven days on the website and official notice board of the auditee.

No proof of tax clearance

In terms of SCM Regulation 43(1), an award should not be made to a person whose tax matters have not been declared by SARS to be in order.

Preference points system not applied

In terms of section 2(a) of the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000), an organ of state must determine its preferential procurement policy and a preference point system must be followed. Furthermore, in terms of SCM Regulation 28(1)(a)(ii), a bid evaluation committee must evaluate bids in accordance with the points system as prescribed in terms of this act.

Other significant findings include:

- No or inadequate administration of prospective provider list.
- Incomplete disclosure of deviation from process.

5.5 Inadequate contract management

The findings on contract management are summarised in the table below.

Table 26: Findings on contract management

Province	Number of auditees				
	No written contract	Payment in excess of approved amount	Performance of contractors not monitored	Unfair or non-compliant contract amendment, extension or renewal	Other findings
Eastern Cape	8	4	4	6	
Free State	2	2	6	5	7
Gauteng	2		4	2	1
KwaZulu-Natal	4	1	4	9	3
Limpopo	3		2	3	3
Mpumalanga	2	4	1	1	1
Northern Cape	1	1	1	2	3
North West		3		3	
Western Cape	3		2	5	
Total	25	15	24	36	18
Percentage of tested auditees with findings	9%	5%	9%	13%	7%

Further details on the findings are provided below.

No written contract

In terms of section 116(1)(a)(i) of the MFMA, a contract procured through an SCM system must be in writing.

Payments made in excess of the approved amount

Irregular expenditure totalling R46,5 million was identified as a result of payments for goods and services that exceeded the approved contract or quoted amount.

Performance of contractors not monitored on a monthly basis

In terms of section 116(2)(b) of the MFMA, the accounting officer must on a monthly basis monitor the performance of the contractor in terms of the contract or agreement.

Unfair or non-compliant contract amendment, extension or renewal

In terms of section 116(3) of the MFMA, a contract or agreement procured through the SCM policy of the municipality or municipal entity may be amended by the parties, but only after:

- a) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality
- b) the local community:
 - i) has been given reasonable notice of the intention to amend the contract or agreement
 - ii) has been invited to submit representations to the municipality or municipal entity

At 36 auditees the above requirements were not complied with.

At 11 auditees irregular expenditure totalling R215,5 million was identified based on contracts that were extended or renewed without approval by a delegated official.

At 16 auditees irregular expenditure totalling R25,2 million was identified based on contracts that were extended or renewed to such an extent that the competitive bidding process was circumvented.

Other findings

The other findings on contract management include the following:

- Capacity not established in auditee to ensure proper enforcement and monitoring of contracts
- Contracts of longer than three years were not reviewed at least every three years
- Payment at prices/rates different from contract/ quotation

5.6 Inadequate SCM controls

Identified findings on deficiencies in fundamental SCM controls are summarised in the table below.

Table 27: Findings on SCM controls

Province	Number of auditees					
	Lack of proper record keeping	No risk assessment performed	Lack of monitoring of SCM	Internal audit did not evaluate SCM processes	Inadequate fraud prevention plan	Other findings
Eastern Cape	23	23	16	22	22	
Free State	16	13		13	13	17
Gauteng	4	4				
KwaZulu-Natal	18	13	16		12	22
Limpopo	6	5		6	6	
Mpumalanga		7	4	7	7	7
Northern Cape		10	6	8	6	10
North West	8	7		6	4	5
Western Cape		7	2	5	5	
Total	75	89	44	67	75	61
Percentage of tested auditees with findings	27%	32%	16%	24%	27%	22%

Further details on the findings are as follows:

Lack of proper record keeping

Records should be properly kept and managed to ensure that requested information is made available for audit purposes.

No risk assessment performed

In terms of SCM Regulation 41(1), an SCM policy must provide for an effective system of risk management for the identification, consideration and avoidance of potential risks in the SCM system.

Lack of effective internal monitoring

SCM Regulation 42 requires that an SCM policy must provide for an effective internal control monitoring system in order to determine, on the basis of retrospective analysis, whether the authorised SCM processes are being followed and whether the desired objectives are being achieved.

Internal audit did not evaluate SCM processes

Internal audit should evaluate the controls, processes and compliance with laws and regulations with regard to SCM, as procurement is generally considered a high fraud risk area.

Inadequate fraud prevention plan

The fraud prevention plan is expected to include specific measures for preventing and detecting fraud in the procurement processes, as procurement is generally considered a high fraud risk area.

Other findings

The other deficiencies in fundamental SCM controls are the following:

- SCM officials not adequately trained – 32 of 141 tested (23%).
- Annual declaration of interest not made – 20 of 82 tested (24%).
- Lack of control over declaration of gifts – 10 of 19 tested (52%).
- SCM policy in conflict with the MFMA and the SCM Regulations – eight of 43 tested (19%).
- Allegations not investigated or investigated without action being taken – three of 10 tested (30%).

5.7 Overall comments on SCM findings

The irregular expenditure incurred in the provinces resulted mostly from awards made to persons in the service of the state or their family members at 63 (56% of auditees) and uncompetitive or unfair procurement processes at 159 (56% of auditees). Awards to the value of R138 million were made to persons in the service of the state. Awards valued at R76 million were made to persons in the service of the particular auditee and included 19 councillors, a mayor and a municipal manager.

A further award of R102 million was made to close family members of persons in the service of the auditee, which included five councillors, three mayors and two municipal managers.

Taking into account that the audit of awards was only performed at 40% of the auditees and in a limited manner these findings are of great concern. The possibility of undue influence of procurement processes by the identified persons cannot be discounted. The suppliers did not declare their relationship with persons at the auditee or in service at other state institutions in at least 28% of the instances. The percentage could be higher as all declarations could not be presented for audit. Such non-disclosure constitutes a corrupt and fraudulent act and should be investigated and dealt with in accordance with legislation.

The findings on uncompetitive or unfair procurement processes mostly relate to quotations not being obtained for awards below R200 000 (R148 million) and competitive bidding processes not followed for awards above R200 000 (R656 million). Deviations from competitive processes were found to be approved as some municipalities but not on justifiable grounds as outlined in legislation (R372 million).

Inadequate management of projects and contracts remain a weakness at municipalities and is characterised by findings on the lack of written contracts, payments made in excess of the contract amount, irregular extensions/amendments to contracts and inadequate monitoring of contracts.

The disregard for adherence to SCM legislation at the majority of the auditees are evidenced by these findings and are receiving attention to varying degrees at all levels of oversight. Based on the audit of fundamental SCM internal controls the findings are however showing that strong ethical leadership and monitoring, well established policies, processes and procedures for SCM and fraud prevention and detection and active governance by internal audit and audit committees can solve the problem.

DEFINITION OF AUDIT OPINIONS

Disclaimer	<p>The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.</p> <p>The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.</p>
Adverse	<p>The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.</p>
Qualified	<p>The auditor shall express a qualified opinion when:</p> <p>(a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or</p> <p>(b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.</p>

ANNEXURES TO GENERAL REPORT (LISTINGS)

Annexure 1	Auditees' audit outcomes, areas qualified and findings on predetermined objectives
Annexure 2	Auditees with findings related to compliance with laws and regulations
Annexure 3	Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses
Annexure 4	Assessment of auditees' key controls at the time of the audit
Annexure 5	Auditees with key findings on supply chain management
Annexure 6	Auditees with issues relating to funding of operations/financial sustainability/going concern

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives					
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010			
Municipalities																				
Metropolitan municipalities																				
1	Nelson Mandela Bay Metro	EC	Financially unqualified with findings			Financially unqualified with findings														
2	City of Johannesburg Metro	GP	Audit not finalised at legislated date			Financially unqualified with no findings														
3	Ekurhuleni Metro	GP	Financially unqualified with findings			Financially unqualified with findings														
4	Tshwane Metropolitan Municipality	GP	Financially unqualified with findings			Qualified														
5	eThekweni	KZN	Financially unqualified with findings			Financially unqualified with findings														
6	City of Cape Town	WC	Financially unqualified with no findings			Financially unqualified with findings														
District municipalities																				
7	Alfred Ndzo District	EC	Audit not finalised at legislated date			Adverse														
8	Amatole District	EC	Qualified			Qualified														
9	Cacadu District	EC	Financially unqualified with findings			Financially unqualified with findings														
10	Chris Hami District	EC	Disclaimer			Disclaimer														
11	Joe Gqabi District	EC	Qualified			Adverse														
12	OR Tambo District	EC	Qualified			Qualified														
13	Fezile Dabi District	FS	Financially unqualified with findings			Financially unqualified with findings														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas										Findings on predetermined objectives					
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010					
27	Umkhanyakazi District	KZN	Financially unqualified with findings			Financially unqualified with findings																
28	Uthukela District	KZN	Financially unqualified with findings			Financially unqualified with findings																
29	Uthungulu District	KZN	Financially unqualified with findings			Financially unqualified with findings																
30	Zululand District	KZN	Financially unqualified with findings			Financially unqualified with findings																
31	Capricorn District	LP	Disclaimer			Disclaimer																
32	Greater Sekhukhune District	LP	Disclaimer			Disclaimer																
33	Mopani District	LP	Audit not finalised at legislated date			Financially unqualified with findings																
34	Vhembe District	LP	Qualified			Disclaimer																
35	Waterberg District	LP	Financially unqualified with findings			Financially unqualified with findings																
36	Ehlanzeni District	MP	Financially unqualified with no findings			Financially unqualified with findings																
37	Gert Sibande District	MP	Financially unqualified with findings			Financially unqualified with findings																
38	Nkangala District	MP	Financially unqualified with findings			Financially unqualified with findings																
39	Frances Baard District	NC	Financially unqualified with no findings			Financially unqualified with no findings																
40	John Taolo Gaetsewe District	NC	Qualified			Financially unqualified with findings																



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives											
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular and frivolous and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010										
41	Namakwa District	NC	Financially unqualified with findings		Financially unqualified with findings	Financially unqualified with findings																					
42	Pfexley Ka Seme District Municipality	NC	Qualified		Qualified	Qualified																					
43	Siyanda District	NC	Audit not finalised at legislated date			Disclaimer																					
44	Bojanala Platinum District	NW	Financially unqualified with findings			Financially unqualified with findings																					
45	Dr Kenneth Kaunda District	NW	Audit not finalised at legislated date			Qualified																					
46	Dr Ruth S Mompati District	NW	Audit not finalised at legislated date			Financially unqualified with findings																					
47	Ngaka Modiri Molema District	NW	Audit not finalised at legislated date			Disclaimer																					
48	Cape Winelands District	WC	Financially unqualified with findings			Financially unqualified with findings																					
49	Central Karoo District	WC	Financially unqualified with findings			Financially unqualified with findings																					
50	Eden District	WC	Financially unqualified with findings			Financially unqualified with findings																					
51	Overberg District	WC	Financially unqualified with findings			Financially unqualified with findings																					
52	West Coast District	WC	Financially unqualified with findings			Financially unqualified with findings																					
Local municipalities																											
53	Amahlathi	EC	Financially unqualified with findings			Qualified																					



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas										Findings on predetermined objectives							
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010							
54	Baviaans	EC	Audit not finalised at legislated date			Qualified																		
55	Blue Crane Route	EC	Qualified			Financially unqualified with findings																		
56	Buffalo City	EC	Disclaimer			Qualified																		
57	Comdeboo	EC	Financially unqualified with findings			Financially unqualified with findings																		
58	Elundini	EC	Qualified			Qualified																		
59	Emaahlani	EC	Disclaimer			Disclaimer																		
60	Engcobo	EC	Disclaimer			Disclaimer																		
61	Gariep	EC	Qualified			Qualified																		
62	Great Kei	EC	Disclaimer			Disclaimer																		
63	Ikwezi	EC	Financially unqualified with findings			Financially unqualified with findings																		
64	Inguza Hill	EC	Qualified			Adverse																		
65	Inkwanca	EC	Adverse			Adverse																		
66	Intsika Yethu	EC	Disclaimer			Qualified																		
67	Inxuba Yethemba	EC	Qualified			Qualified																		
68	King Sabata Dalindyebo	EC	Disclaimer			Qualified																		
69	Kouga	EC	Audit not finalised at legislated date			Financially unqualified with findings																		
70	Koukamma	EC	Disclaimer			Disclaimer																		
71	Lukhanji	EC	Disclaimer			Financially unqualified with findings																		



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas										Findings on predetermined objectives								
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010								
72	Makana	EC	Disclaimer			Adverse																			
73	Maletswai	EC	Disclaimer			Disclaimer																			
74	Matatiele	EC	Financially unqualified with findings			Financially unqualified with findings																			
75	Mbashe	EC	Disclaimer			Disclaimer																			
76	Mbizana	EC	Disclaimer			Disclaimer																			
77	Mhlonito	EC	Disclaimer			Disclaimer																			
78	Mquma	EC	Qualified			Disclaimer																			
79	Ndlambe	EC	Qualified			Qualified																			
80	Ngushwa	EC	Qualified			Qualified																			
81	Nkonkobe	EC	Disclaimer			Disclaimer																			
82	Ntabankulu	EC	Adverse			Disclaimer																			
83	Nxuba	EC	Audit not finalised at legislated date			Disclaimer																			
84	Nyanderi	EC	Financially unqualified with findings			Qualified																			
85	Port St Johns	EC	Financially unqualified with findings			Qualified																			
86	Sakhisizwe	EC	Adverse			Disclaimer																			
87	Senqu	EC	Financially unqualified with findings			Financially unqualified with findings																			
88	Sundays River Valley	EC	Disclaimer			Disclaimer																			
89	Isolwana	EC	Qualified			Qualified																			
90	Umtzimvubu	EC	Qualified			Adverse																			



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas										Findings on predetermined objectives									
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010									
91	Diblaheng	FS	Qualified			Disclaimer																				
92	Kopanong	FS	Disclaimer			Disclaimer																				
93	Letsemeng	FS	Adverse			Disclaimer																				
94	Mafube	FS	Disclaimer			Disclaimer																				
95	Maluti - A - Phofung	FS	Disclaimer			Disclaimer																				
96	Mangaung	FS	Disclaimer			Disclaimer																				
97	Mantsopa	FS	Qualified			Disclaimer																				
98	Masilonyana	FS	Audit not finalised at legislated date			Disclaimer																				
99	Matjhabeng	FS	Disclaimer			Disclaimer																				
100	Metsimaholo	FS	Disclaimer			Disclaimer																				
101	Mohokare	FS	Disclaimer			Adverse																				
102	Mochaka	FS	Audit not finalised at legislated date			Disclaimer																				
103	Nala	FS	Audit not finalised at legislated date			Disclaimer																				
104	Naledi	FS	Audit not finalised at legislated date			Adverse																				
105	Ngwathe	FS	Disclaimer			Disclaimer																				
106	Nkeana	FS	Qualified			Disclaimer																				
107	Phumelela	FS	Disclaimer			Disclaimer																				
108	Setoto	FS	Qualified			Qualified																				
109	Tokologo	FS	Audit not finalised at legislated date			Disclaimer																				



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives				
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010			
110	Tswelopele	FS	Qualified			Financially unqualified with findings														
111	Erfuleni	GP	Qualified			Qualified														
112	Kungwini	GP	Qualified			Disclaimer														
113	Lesedi	GP	Financially unqualified with findings			Financially unqualified with findings														
114	Merafong City	GP	Financially unqualified with findings			Qualified														
115	Michaël	GP	Financially unqualified with findings			Financially unqualified with findings														
116	Mogale City	GP	Qualified			Financially unqualified with findings														
117	Nokeng Tsa Taemane	GP	Financially unqualified with findings			Qualified														
118	Randfontein	GP	Financially unqualified with findings			Financially unqualified with findings														
119	Westonaria	GP	Financially unqualified with findings			Financially unqualified with findings														
120	Abaqulusi	KZN	Financially unqualified with findings			Financially unqualified with findings														
121	Damshausen	KZN	Financially unqualified with findings			Financially unqualified with findings														
122	eDumbe	KZN	Disclaimer			Disclaimer														
123	eMadlageni	KZN	Financially unqualified with findings			Qualified														



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas										Findings on predetermined objectives											
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010											
124	Emmambithi / Ladysmith	KZN	Financially unqualified with findings			Qualified																						
125	Endumeni	KZN	Financially unqualified with findings			Financially unqualified with findings																						
126	Ezinqoleni	KZN	Financially unqualified with findings			Financially unqualified with findings																						
127	Greater Kokstad	KZN	Financially unqualified with findings			Financially unqualified with findings																						
128	Hibiscus Coast	KZN	Financially unqualified with findings			Financially unqualified with findings																						
129	Hlabisa	KZN	Financially unqualified with findings			Financially unqualified with findings																						
130	Imbabazane	KZN	Financially unqualified with findings			Financially unqualified with findings																						
131	Impendle	KZN	Financially unqualified with findings			Financially unqualified with findings																						
132	Indaka	KZN	Adverse			Disclaimer																						
133	Ingwe	KZN	Financially unqualified with findings			Financially unqualified with findings																						
134	Jozini	KZN	Financially unqualified with findings			Financially unqualified with findings																						
135	Kwa Sani	KZN	Financially unqualified with findings			Financially unqualified with findings																						
136	Kwadukuza	KZN	Financially unqualified with findings			Financially unqualified with findings																						



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives										
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010								
137	Mandeni	KZN	Financially unqualified with findings			Financially unqualified with findings																			
138	Maphumulo	KZN	Financially unqualified with findings			Financially unqualified with findings																			
139	Mfozuzi	KZN	Qualified			Disclaimer																			
140	Mkhambathini	KZN	Financially unqualified with findings			Financially unqualified with findings																			
141	Mpofana	KZN	Financially unqualified with findings			Qualified																			
142	Msinga	KZN	Financially unqualified with findings			Financially unqualified with findings																			
143	Msunduzi	KZN	Qualified			Qualified																			
144	Mthonjaneni	KZN	Financially unqualified with findings			Financially unqualified with findings																			
145	Mtubatuba	KZN	Financially unqualified with findings			Financially unqualified with findings																			
146	Ndwedwe	KZN	Financially unqualified with findings			Financially unqualified with findings																			
147	Newcastle	KZN	Qualified			Qualified																			
148	Nkandla	KZN	Financially unqualified with findings			Disclaimer																			
149	Nongoma	KZN	Financially unqualified with findings			Disclaimer																			
150	Nquthu	KZN	Qualified			Disclaimer																			



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives						
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010				
151	Ntambana	KZN	Financially unqualified with findings			Financially unqualified with findings															
152	Okhahlamba	KZN	Qualified			Disclaimer															
153	Richmond	KZN	Financially unqualified with findings			Financially unqualified with findings															
154	The Big Five False Bay	KZN	Financially unqualified with findings			Qualified															
155	Ubulhebezwe	KZN	Financially unqualified with findings			Disclaimer															
156	Ulundi	KZN	Financially unqualified with findings			Financially unqualified with findings															
157	Umdoni	KZN	Financially unqualified with findings			Financially unqualified with findings															
158	Umhlabuyalingona	KZN	Financially unqualified with findings			Financially unqualified with findings															
159	uMhlatuze	KZN	Financially unqualified with findings			Financially unqualified with findings															
160	Umlalazi	KZN	Financially unqualified with findings			Financially unqualified with findings															
161	Umrngeni	KZN	Financially unqualified with findings			Financially unqualified with findings															
162	uMshwathi	KZN	Financially unqualified with findings			Financially unqualified with findings															
163	Umtshezi	KZN	Financially unqualified with findings			Financially unqualified with findings															



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives											
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010									
164	Umuziwabantu	KZN	Financially unqualified with findings			Financially unqualified with findings																				
165	Umvoti	KZN	Financially unqualified with findings			Financially unqualified with findings																				
166	uMzimbhulu	KZN	Financially unqualified with findings			Financially unqualified with findings																				
167	Umtzombe	KZN	Financially unqualified with findings			Financially unqualified with findings																				
168	uPhongolo	KZN	Financially unqualified with findings			Financially unqualified with findings																				
169	Vulamehlo	KZN	Financially unqualified with findings			Financially unqualified with findings																				
170	Aganang	LP	Disclaimer			Financially unqualified with findings																				
171	Bc-Phalaborwa	LP	Disclaimer			Disclaimer																				
172	Bele-Bela	LP	Financially unqualified with findings			Qualified																				
173	Blouberg	LP	Qualified			Disclaimer																				
174	Elias Mtsosaledi (Greater Groblersdal)	LP	Disclaimer			Disclaimer																				
175	Ephraim Mogale	LP	Audit not finalised at legislated date			Financially unqualified with findings																				
176	Fetakgomo	LP	Financially unqualified with no findings			Financially unqualified with findings																				
177	Greater Giyani	LP	Qualified			Qualified																				

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives					
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010				
178	Greater Letaba	LP	Financially unqualified with findings			Financially unqualified with findings															
179	Greater Tzaneen	LP	Qualified			Qualified															
180	Lepelle-Nkumpi	LP	Audit not finalised at legislated date			Disclaimer															
181	Lephalale	LP	Qualified			Disclaimer															
182	Makhatso	LP	Disclaimer			Disclaimer															
183	Makhudatamaga	LP	Disclaimer			Disclaimer															
184	Maruleng	LP	Financially unqualified with findings			Qualified															
185	Modimolle	LP	Qualified			Qualified															
186	Mogalakwena	LP	Financially unqualified with findings			Qualified															
187	Molemole	LP	Disclaimer			Disclaimer															
188	Mookgophong	LP	Disclaimer			Disclaimer															
189	Musina	LP	Audit not finalised at legislated date			Financially unqualified with findings															
190	Mutale	LP	Financially unqualified with findings			Qualified															
191	Polokwane	LP	Audit not finalised at legislated date			Financially unqualified with findings															
192	Thabazimbi	LP	Qualified			Disclaimer															
193	Thulamela	LP	Qualified			Qualified															
194	Tubatse	LP	Qualified			Disclaimer															

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives					
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010				
195	Albert Luthuli	MP	Audit not finalised at legislated date			Qualified															
196	Bushbuckridge	MP	Financially unqualified with findings			Financially unqualified with findings															
197	Dipaliseng	MP	Disclaimer			Disclaimer															
198	Dr JS Moroka	MP	Disclaimer			Qualified															
199	Emakhazeni	MP	Financially unqualified with findings			Financially unqualified with findings															
200	Enabahleni	MP	Qualified			Financially unqualified with findings															
201	Govan Mbeki	MP	Financially unqualified with findings			Financially unqualified with findings															
202	Lekwa	MP	Financially unqualified with findings			Disclaimer															
203	Mbombela	MP	Financially unqualified with findings			Qualified															
204	Mkhondo	MP	Audit not finalised at legislated date			Disclaimer															
205	Msulungwa	MP	Financially unqualified with findings			Financially unqualified with findings															
206	Nkomazi	MP	Qualified			Qualified															
207	Pitso Khumalo (Volsrust)	MP	Disclaimer			Disclaimer															
208	Steve Tshwete	MP	Financially unqualified with no findings			Financially unqualified with findings															
209	Thaba Chweu	MP	Disclaimer			Disclaimer															
210	Themba Hani	MP	Disclaimer			Disclaimer															

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives			
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010	
211	Umjindi Municipality	MP	Disclaimer		Qualified	Qualified												
212	Victor Khanye	MP	Financially unqualified with no findings		Qualified	Qualified												
213	Ikheis	NC	Disclaimer		Disclaimer	Disclaimer												
214	//Khaara Hais	NC	Financially unqualified with findings		Qualified	Qualified												
215	Dikgatlong	NC	Disclaimer		Disclaimer	Disclaimer												
216	Ermathjeni	NC	Disclaimer		Disclaimer	Disclaimer												
217	Gamagara	NC	Financially unqualified with findings		Qualified	Qualified												
218	Gr-Segonyana	NC	Disclaimer		Disclaimer	Disclaimer												
219	Hantam	NC	Financially unqualified with findings		Qualified	Qualified												
220	Joe Morolong (previously Mashaweng)	NC	Audit not finalised at legislated date		Disclaimer	Disclaimer												
221	Kai! Garib	NC	Audit not finalised at legislated date		Disclaimer	Disclaimer												
222	Karniesberg	NC	Disclaimer		Disclaimer	Disclaimer												
223	Kareeberg	NC	Financially unqualified with findings		Financially unqualified with no findings	Financially unqualified with no findings												
224	Karoo Hoogland	NC	Qualified		Disclaimer	Disclaimer												
225	Kgatelopele	NC	Audit not finalised at legislated date		Disclaimer	Disclaimer												
226	Khai-Ma	NC	Financially unqualified with findings		Financially unqualified with findings	Financially unqualified with findings												



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives										
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010									
227	Magareng	NC	Audit not finalised at legislated date			Disclaimer																				
228	Mier	NC	Disclaimer			Disclaimer																				
229	Nama Khoi	NC	Audit not finalised at legislated date			Disclaimer																				
230	Phokwane	NC	Disclaimer			Disclaimer																				
231	Renosterberg	NC	Audit not finalised at legislated date			Disclaimer																				
232	Richersveld	NC	Financially unqualified with findings			Financially unqualified with findings																				
233	Siyancuma	NC	Audit not finalised at legislated date			Disclaimer																				
234	Siyathemba	NC	Disclaimer			Disclaimer																				
235	Sol Plaattje	NC	Disclaimer			Disclaimer																				
236	Thembelithe	NC	Audit not finalised at legislated date			Disclaimer																				
237	Tsantsabane	NC	Audit not finalised at legislated date			Disclaimer																				
238	Uburutu	NC	Qualified			Disclaimer																				
239	Umsobomvu	NC	Qualified			Disclaimer																				
240	Ditsobotla	NW	Audit not finalised at legislated date			Disclaimer																				
241	Greater Taung	NW	Qualified			Disclaimer																				
242	Kagiso	NW	Audit not finalised at legislated date			Qualified																				



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives					
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010				
243	Kgetleng River	NW	Audit not finalised at legislated date			Disclaimer															
244	Lekwa-Teemane	NW	Disclaimer			Disclaimer															
245	Madibeng	NW	Audit not finalised at legislated date			Audit not finalised at legislated date															
246	Mafikeng	NW	Audit not finalised at legislated date			Disclaimer															
247	Mamusa	NW	Audit not finalised at legislated date			Audit not finalised at legislated date															
248	Maquassi Hills	NW	Audit not finalised at legislated date			Disclaimer															
249	Matlosana	NW	Disclaimer			Disclaimer															
250	Molopo	NW	Audit not finalised at legislated date			Financially unqualified with findings															
251	Moretele	NW	Audit not finalised at legislated date			Disclaimer															
252	Moses Kotane	NW	Audit not finalised at legislated date			Disclaimer															
253	Naledi	NW	Audit not finalised at legislated date			Adverse															
254	Ramotshere Molloa	NW	Qualified			Qualified															
255	Ratlou	NW	Financially unqualified with findings			Financially unqualified with findings															
256	Rustenburg	NW	Qualified			Qualified															
257	Tlokwe	NW	Qualified			Disclaimer															



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives					
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010				
258	Tswaing	NW	Audit not finalised at legislated date			Disclaimer															
259	Ventersdorp	NW	Audit not finalised at legislated date			Audit not finalised at legislated date															
260	Beaufort West	WC	Financially unqualified with findings			Financially unqualified with findings															
261	Berg River	WC	Financially unqualified with findings			Financially unqualified with findings															
262	Bitou	WC	Financially unqualified with findings			Financially unqualified with findings															
263	Breede Valley	WC	Financially unqualified with findings			Financially unqualified with findings															
264	Cape Agulhas	WC	Financially unqualified with findings			Financially unqualified with findings															
265	Cederberg	WC	Qualified			Disclaimer															
266	Drakenstein	WC	Financially unqualified with findings			Financially unqualified with findings															
267	George	WC	Adverse			Qualified															
268	Hessequa	WC	Financially unqualified with findings			Financially unqualified with findings															
269	Kannaland	WC	Adverse			Disclaimer															
270	Knysna	WC	Financially unqualified with findings			Financially unqualified with findings															
271	Lansburg	WC	Qualified			Financially unqualified with findings															



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives											
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010									
272	Langeberg	WC	Financially unqualified with findings			Financially unqualified with findings																				
273	Matzikama	WC	Financially unqualified with findings			Financially unqualified with findings																				
274	Mossel Bay	WC	Financially unqualified with findings			Financially unqualified with findings																				
275	Oudtshoorn	WC	Audit not finalised at legislated date			Disclaimer																				
276	Overstrand	WC	Financially unqualified with findings			Financially unqualified with findings																				
277	Prince Albert	WC	Disclaimer			Financially unqualified with findings																				
278	Saldanha Bay	WC	Qualified			Disclaimer																				
279	Stellenbosch	WC	Financially unqualified with findings			Financially unqualified with findings																				
280	Swartland	WC	Financially unqualified with findings			Financially unqualified with findings																				
281	Swellendam	WC	Audit not finalised at legislated date			Disclaimer																				
282	Theewaterskloof	WC	Financially unqualified with findings			Financially unqualified with findings																				
283	Witzenberg	WC	Financially unqualified with findings			Financially unqualified with findings																				
Municipal entities																										
1	Anathole Economic Development Agency	EC	Financially unqualified with no findings			Financially unqualified with findings																				



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives										
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010								
2	Blue Crane Route Development Agency	EC	Qualified		Qualified	Qualified																			
3	Buffalo City Development Agency	EC	Financially unqualified with findings		Financially unqualified with findings	Financially unqualified with findings																			
4	Kouga Development Agency	EC	Financially unqualified with findings		Financially unqualified with findings	Financially unqualified with findings																			
5	Mandela Bay Development Agency	EC	Financially unqualified with findings		Financially unqualified with findings	Financially unqualified with findings																			
6	Mthombo Sediba	EC	Audit not finalised at legislated date		Financially unqualified with findings	Financially unqualified with findings																			
7	Ningao OR Tambo Development Agency	EC	Qualified		Qualified	Qualified																			
8	Centec (Pty) Ltd	FS	Disclaimer		Disclaimer	Disclaimer																			
9	Fezile Dabi District Municipality Trust	FS	Disclaimer		Disclaimer	Disclaimer																			
10	Krynauwvust Farming Trust (Pty) Ltd	FS	Audit not finalised at legislated date		Audit not finalised at legislated date	Audit not finalised at legislated date																			
11	Lejwe Le Putsa Development Agency (Pty) Ltd	FS	Financially unqualified with findings		Financially unqualified with findings	Qualified																			
12	Maluti-A-Phofung Water (Pty) Ltd	FS	Disclaimer		Disclaimer	Disclaimer																			
13	Metsimaholo Mayoral Trust	FS	Qualified		Qualified	Disclaimer																			
14	Brakpan Bus Company	GP	Financially unqualified with no findings		Financially unqualified with no findings	Financially unqualified with findings																			
15	City Power Johannesburg	GP	Audit not finalised at legislated date		Audit not finalised at legislated date	Financially unqualified with findings																			



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas									Findings on predetermined objectives			
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010		
16	Civirelo Water	GP	Disclaimer			Financially unqualified with findings													
17	Ekurhuleni Development Company (Pty) Ltd	GP	Financially unqualified with findings			Financially unqualified with findings													
18	Ervot	GP	Financially unqualified with no findings			Financially unqualified with findings													
19	Housing Company Ishwane	GP	Disclaimer			Disclaimer													
20	Joburg Property Company	GP	Financially unqualified with no findings			Financially unqualified with findings													
21	Johannesburg City Parks	GP	Financially unqualified with findings			Financially unqualified with findings													
22	Johannesburg Civic Theatre	GP	Financially unqualified with no findings			Financially unqualified with findings													
23	Johannesburg Development Agency	GP	Financially unqualified with findings			Financially unqualified with findings													
24	Johannesburg Fresh Produce Market	GP	Financially unqualified with findings			Financially unqualified with no findings													
25	Johannesburg Metropolitan Bus Services	GP	Financially unqualified with findings			Financially unqualified with findings													
26	Johannesburg Roads Agency	GP	Financially unqualified with findings			Financially unqualified with findings													
27	Johannesburg Social Housing Company	GP	Financially unqualified with no findings			Financially unqualified with findings													
28	Johannesburg Tourism Company	GP	Financially unqualified with findings			Financially unqualified with findings													
29	Johannesburg Water	GP	Audit not finalised at legislated date			Financially unqualified with findings													



ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas								Findings on predetermined objectives				
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010		
30	Johannesburg Zoo	GP	Financially unqualified with findings			Financially unqualified with findings													
31	Lethabong Housing Institute	GP	Financially unqualified with no findings			Financially unqualified with findings													
32	Metropolitan Trading Company	GP	Financially unqualified with findings			Financially unqualified with findings													
33	Pharoe Park Housing Company (Pty) Ltd	GP	Financially unqualified with findings			Financially unqualified with findings													
34	Phase 2 Housing Company (Pty) Ltd	GP	Financially unqualified with findings			Financially unqualified with findings													
35	Pikitup Johannesburg	GP	Financially unqualified with findings			Financially unqualified with findings													
36	Rooftop Civic Theatre	GP	Financially unqualified with no findings			Financially unqualified with findings													
37	Sandspruit Works	GP	Financially unqualified with findings			Financially unqualified with findings													
38	West Rand Development Agency	GP	Qualified			New municipal entity													
39	Durban Marine Theme Park (Pty) Ltd	KZN	Financially unqualified with findings			Financially unqualified with findings													
40	Hibiscus Coast Development Agency	KZN	Financially unqualified with findings			Financially unqualified with findings													
41	ICC, Durban (Pty) Ltd	KZN	Financially unqualified with findings			Financially unqualified with findings													
42	Ilelbe Management Development Enterprise (Pty) Ltd	KZN	Financially unqualified with findings			Financially unqualified with findings													
43	Ugu South Coast Tourism	KZN	Financially unqualified with findings			New municipal entity													

ANNEXURE 1: Auditees' audit outcomes, areas qualified and findings on predetermined objectives

Number	Auditee	Province	Audit outcome 2009-10	Predetermined objectives	Compliance with laws and regulations	Audit outcome 2008-09	Financial statement qualification areas										Findings on predetermined objectives									
							Capital assets	Current assets	Liabilities	Other disclosure items	Revenue	Expenditure	Unauthorised, irregular, and fruitless and wasteful expenditure	Non-compliance with regulatory requirements	Reported information not useful	Reported information not reliable	Information not submitted for audit by 31 August 2010									
44	Umhloosonga Development Agency	KZN	Financially unqualified with findings			Financially unqualified with findings																				
45	Uthukela Water (Pty) Ltd	KZN	Financially unqualified with findings			Financially unqualified with findings																				
46	Polokwane Housing Association	LP	Qualified			Disclaimer																				
47	Zelvy 1903 (Pty) Ltd Trading as Letsema	LP	Financially unqualified with findings			Financially unqualified with findings																				
48	Dr KKOM Economic Agency (Pty) Ltd	NW	Financially unqualified with findings			Financially unqualified with findings																				
49	Moses Kotane Development Agency	NW	Audit not finalised at legislated date			Disclaimer																				
50	Rustenburg Water Services Trust	NW	Financially unqualified with findings			Financially unqualified with findings																				
51	Cape Town International Convention Centre	WC	Financially unqualified with no findings			Financially unqualified with findings																				
52	Khayelisha Community Trust	WC	Financially unqualified with findings			Financially unqualified with findings																				
53	Krystna Economic Development Agency	WC	Financially unqualified with findings			New municipal entity																				
54	Overstrand Local Economic Development Agency	WC	Financially unqualified with no findings			Financially unqualified with findings																				



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Frustrated and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"
Municipalities																			
Metropolitan municipalities																			
1	Nelson Mandela Bay Metro	EC																	
2	Ekurhuleni Metro	GP																	
3	Tshwane Metropolitan Municipality	GP																	
4	eThekweni	KZN																	
5	City of Cape Town	WC																	
District municipalities																			
6	Amatole District	EC																	
7	Cacadu District	EC																	
8	Chris Hami District	EC																	
9	OR Tambo District	EC																	
10	Joe Gqabi District	EC																	
11	Fezile Dabi District	FS																	
12	Lejweletswa District	FS																	
13	Motheo District	FS																	
14	Thabo Mofutsanyana District	FS																	
15	Xhariep District	FS																	
16	Metsweding District	GP																	
17	Sedibeng District	GP																	
18	West Rand District	GP																	
19	Amajuba District	KZN																	



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																			
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"			
20	Iembe District	KZN																				
21	Sisonke District	KZN																				
22	Ugu District	KZN																				
23	Ungungulobvu	KZN																				
24	Umzinyathi District	KZN																				
25	uThukela District	KZN																				
26	Uthungulu District	KZN																				
27	Zululand District	KZN																				
28	Capricorn District	LP																				
29	Greater Sekhukhune District	LP																				
30	Vhembe District	LP																				
31	Waterberg District	LP																				
32	Ehlanzeni District	MP																				
33	Gert Sibande District	MP																				
34	Nkangala District	MP																				
35	Frances Baard District	NC																				
36	John Tlootoe District	NC																				
37	Namakwa District	NC																				
38	Pietermaritzburg Municipality	NC																				
39	Bojanala Platinum District	NW																				
40	Cape Winelands District	WC																				
41	Central Karoo District	WC																				



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"
42	Eden District	WC																	
43	Overberg District	WC																	
44	West Coast District	WC																	
Local municipalities																			
45	Amahlathi	EC																	
46	Blue Crane Route	EC																	
47	Buffalo City	EC																	
48	Camdeboo	EC																	
49	Elundini	EC																	
50	Emaahlani	EC																	
51	Engcobo	EC																	
52	Gariep	EC																	
53	Great Kei	EC																	
54	Ikwezi	EC																	
55	Inqayza Hill	EC																	
56	Inkwanca	EC																	
57	Inzika	EC																	
58	Inxuba Yethemba	EC																	
59	King Sabata Dalindyebo	EC																	
60	Koukamma	EC																	
61	Lukhanji	EC																	
62	Makana	EC																	



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																	
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"	
63	Maletswai	EC																		
64	Matatiele	EC																		
65	Mbrashe	EC																		
66	Mbizana	EC																		
67	Mhlontlo	EC																		
68	Mquma	EC																		
69	Nelambe	EC																		
70	Ngqushwa	EC																		
71	Nkonkobe	EC																		
72	Ntbankulu	EC																		
73	Nyandeni	EC																		
74	Port St Johns	EC																		
75	Sakhiszwe	EC																		
76	Senqu	EC																		
77	Sundays River Valley	EC																		
78	Tsolwana	EC																		
79	Umzimvubu	EC																		
80	Dhlabeng	FS																		
81	Kopanong	FS																		
82	Leisemeng	FS																		
83	Matube	FS																		
84	Matluri - A - Pfofung	FS																		



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"
85	Mangaung	FS																	
86	Mantsopa	FS																	
87	Matjhabeng	FS																	
88	Metsimahalo	FS																	
89	Mohokare	FS																	
90	Ngwathe	FS																	
91	Nketoana	FS																	
92	Phumelela	FS																	
93	Seisoto	FS																	
94	Tswelopele	FS																	
95	Enfuleni	GP																	
96	Kungwini	GP																	
97	Lesedi	GP																	
98	Merafong City	GP																	
99	Midvaal	GP																	
100	Mogale City	GP																	
101	Nokeng Isa Taemane	GP																	
102	Randfontein	GP																	
103	Westonaria	GP																	
104	Abaqulusi	KZN																	
105	Dannhauser	KZN																	
106	eDumbe	KZN																	



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																		
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"		
129	Mtubatuba	KZN																			
130	Ndweive	KZN																			
131	Newcastle	KZN																			
132	Nkandla	KZN																			
133	Nongoma	KZN																			
134	Nquthu	KZN																			
135	Ntambanana	KZN																			
136	OKhahlamba	KZN																			
137	Richmond	KZN																			
138	The Big Five False Bay	KZN																			
139	Ubuhlebezwe	KZN																			
140	Ulundi	KZN																			
141	Umdoni	KZN																			
142	Umlalazi	KZN																			
143	uMhlatuze	KZN																			
144	Umlalazi	KZN																			
145	Umgweni	KZN																			
146	uMshwathi	KZN																			
147	Umtshezi	KZN																			
148	Umuziwabantu	KZN																			
149	Umvoti	KZN																			
150	uMzimkhulu	KZN																			



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																		
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"		
151	Umzombe	KZN																			
152	uPhongolo	KZN																			
153	Vulamehlo	KZN																			
154	Aganang	LP																			
155	Ba-Phalaborwa	LP																			
156	Bela-Bela	LP																			
157	Blouberg	LP																			
158	Elias Motsoaledi (Greater Groblersdal)	LP																			
159	Fetakgomo	LP																			
160	Greater Gyani	LP																			
161	Greater Letaba	LP																			
162	Greater Tzaneen	LP																			
163	Lephalale	LP																			
164	Makhdado	LP																			
165	Makhudatamaga	LP																			
166	Maruleng	LP																			
167	Modimolle	LP																			
168	Mogalakwena	LP																			
169	Molemole	LP																			
170	Mookgophong	LP																			
171	Mutale	LP																			
172	Thabazimbi	LP																			



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"
173	Thulamela	LP																	
174	Tubatse	LP																	
175	Bushbuckridge	MP																	
176	Dipaliseng	MP																	
177	Dr JS Moroka	MP																	
178	Ermafhazeni	MP																	
179	Ermafhani	MP																	
180	Govan Mbeki	MP																	
181	Lekwa	MP																	
182	Mbombela	MP																	
183	Msukaligwa	MP																	
184	Nkomazi	MP																	
185	Prixley Ka Seme (Volkstrust)	MP																	
186	Steve Tshwete	MP																	
187	Thaba Chweu	MP																	
188	Thembisile Hani	MP																	
189	Umjindi Municipality	MP																	
190	Victor Khanye	MP																	
191	!Kheis	NC																	
192	//Khaer Hais	NC																	
193	Dikgatlong	NC																	
194	Emthanjeni	NC																	



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																		
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"		
195	Gamagara	NC																			
196	Go-Segonyana	NC																			
197	Hantam	NC																			
198	Kamiesberg	NC																			
199	Kareeberg	NC																			
200	Karoo Hoogland	NC																			
201	Khat-Ma	NC																			
202	Mier	NC																			
203	Phokwane	NC																			
204	Richtersveld	NC																			
205	Siyathamba	NC																			
206	Sol Plaatje	NC																			
207	Ubuntu	NC																			
208	Unisobomvu	NC																			
209	Greater Tzong	NW																			
210	Lekwa-Teemane	NW																			
211	Matlosana	NW																			
212	Ramotshere Molloa	NW																			
213	Ratou	NW																			
214	Rustenburg	NW																			
215	Tlokwe	NW																			
216	Beaufort West	WC																			



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																		
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"		
217	Berg River	WC																			
218	Bitou	WC																			
219	Breede Valley	WC																			
220	Cape Agulhas	WC																			
221	Cederberg	WC																			
222	Drakenstein	WC																			
223	George	WC																			
224	Hessequa	WC																			
225	Kannaland	WC																			
226	Knysna	WC																			
227	Lansburg	WC																			
228	Langeberg	WC																			
229	Matzikama	WC																			
230	Mossel Bay	WC																			
231	Overstrand	WC																			
232	Prince Albert	WC																			
233	Saldanha Bay	WC																			
234	Stellenbosch	WC																			
235	Swarland	WC																			
236	Theewaterskloof	WC																			
237	Witzenberg	WC																			



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																
			Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"	
Municipal entities																			
1	Anaithole Economic Development Agency	EC																	
2	Blue Crane Route Development Agency	EC																	
3	Buffalo City Development Agency	EC																	
4	Kouga Development Agency	EC																	
5	Mandela Bay Development Agency	EC																	
6	Ntinga OR Tambo Development Agency	EC																	
7	Centlec (Pty) Ltd	FS																	
8	Fezile Dabi District Municipality Trust	FS																	
9	Lejwe Le Putswa Development Agency (Pty) Ltd	FS																	
10	Maluri-A-Phofung Water (Pty) Ltd	FS																	
11	Metsimaholo Mayoral Trust	FS																	
12	Brakpan Bus Company	GP																	
13	Civirelo Water	GP																	
14	Ekurhuleni Development Company (Pty) Ltd	GP																	
15	Erwat	GP																	
16	Housing Company Ishwane	GP																	
17	Joburg Property Company	GP																	
18	Johannesburg City Parks	GP																	
19	Johannesburg Civic Theatre	GP																	
20	Johannesburg Development Agency	GP																	
21	Johannesburg Fresh Produce Market	GP																	



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations

Number	Auditee	Province	Prohibited action/non-adherence																	
			Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Fruitless and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"	
22	Johannesburg Metropolitan Bus Services	GP																		
23	Johannesburg Roads Agency	GP																		
24	Johannesburg Social Housing Company	GP																		
25	Johannesburg Tourism Company	GP																		
26	Johannesburg Zoo	GP																		
27	Lethabong Housing Institute	GP																		
28	Metropolitan Trading Company	GP																		
29	Pharoe Park Housing Company (Pty) Ltd	GP																		
30	Phase 2 Housing Company (Pty) Ltd	GP																		
31	Pikitup Johannesburg	GP																		
32	Rodepoort Civic Theatre	GP																		
33	Sandspruit Works	GP																		
34	West Rand Development Agency	GP																		
35	Durban Marine Theme Park (Pty) Ltd	KZN																		
36	Hibiscus Coast Development Agency	KZN																		
37	ICC, Durban (Pty) Ltd	KZN																		
38	Ilembe Management Development Enterprise (Pty) Ltd	KZN																		
39	Ugu South Coast Tourism	KZN																		
40	Umhloshinga Development Agency	KZN																		
41	Uthukela Water (Pty) Ltd	KZN																		
42	Polokwane Housing Association	LP																		
43	Zelip 1903 (Pty) Ltd Trading as Letsema	LP																		



ANNEXURE 2: Auditees with findings related to compliance with laws and regulations		Prohibited action / non-adherence																				
		Number	Auditee	Province	Annual budget	Responsibilities: The mayor	Responsibilities: The accounting officer	Responsibilities: Municipal officials	Audit Committee	Internal Audit Unit	Payments	Transfer and disposal of assets	Transfer of funds and subsidies (for municipalities only)	Supply Chain Management legislative requirements	Disciplinary and criminal proceedings for instances of financial conduct	The financial statements were not prepared in accordance with applicable legislation	Unauthorised expenditure (for municipalities only)	Irregular expenditure	Frustrous and wasteful expenditure	The statutory requirements of the Companies Act (only applicable to institutions registered in terms of the Companies Act)	Compliance with "Other enabling legislation"	
44	Dr KKDM Economic Agency (Pty) Ltd	NW																				
45	Rustenburg Water Services Trust	NW																				
46	Cape Town International Convention Centre	WC																				
47	Khayelisha Community Trust	WC																				
48	Knysna Economic Development Agency	WC																				
49	Overstrand Local Economic Development Agency	WC																				



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure			Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets		
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other				Total	
Municipalities														
Metropolitan municipalities														
1	Nelson Mandela Bay Metro	EC					23 342 612				23 342 612	3 965 561	145 500 000	
2	City of Tshwane Metro	GP	1 502 832 586			1 502 832 586	165 430 086	150 337	1 563 135		167 143 558	2 168 654	304 160 000	1 014 557 168
3	Ekuhuleni Metro	GP					474 109				474 109	1 017 750	474 030 278	
4	eThekweni	KZN					510 299 000				510 299 000		406 200 000	456 000 000
5	City of Cape Town	WC					7 247 000				7 247 000	168 000	979 414 000	
District municipalities														
6	Amatole District	EC					16 800 000				16 800 000	962 190		53 300 000
7	Caradu District	EC												
8	Chris Hani District	EC	103 505 068			103 505 068	38 061 531				38 061 531	161 505		131 988 068
9	Joe Gqabi District	EC	40 000 300			40 000 300	7 500 000				7 500 000	2 000 000		
10	OR Tambo District	EC	52 734 414			52 734 414	24 178 538				24 178 538	8 627 217	15 040 320	37 335 458
11	Fezile Dabi District	FS					970 445				970 445			
12	Lejweletswa District	FS					11 078 114	1 068 606			12 146 720			
13	Motho District	FS					1 090 217	1 346 899			2 437 116	6 317 076		
14	Thabo Mofutsanyana District	FS	23 833 069			23 833 069	31 696 555	1 702 667	54 413 160		87 812 382	1 091 526		
15	Xhariep District	FS	2 934 185			2 934 185	3 875 642	50 545			3 926 187	6 754		679 115
16	Metsweding District	GP												
17	Sedibeng District	GP	24 498 066			24 498 066						322 000		
18	West Rand District	GP												
19	Amajuba District	KZN					4 800 000				4 800 000			
20	Ilembe District	KZN	110 260 000			110 260 000	220 940 560				220 940 560		22 460 000	
21	Sisonke District	KZN	9 172 000			9 172 000	5 725 000				5 725 000	3 094 000	2 648 000	
22	Ugu District	KZN	148 552 578		3 940 513	152 493 091	37 851 581				37 851 581		33 038 656	
23	Umguangundlovu District	KZN										406 207	111 942 000	

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets		
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total					
24	Umzinyathi District	KZN													
25	Uthukela District	KZN	124 591 199		124 591 199							57 586	17 347 000		
26	Uthungulu District	KZN					238 345								
27	Zululand District	KZN					8 254 809								9 081 891
28	Capricorn District	LP					40 746 848								
29	Greater Sekhukhune District	LP	83 710 000		83 710 000		1 307 959					386 585			
30	Vhembe District	LP										283 667			
31	Waterberg District	LP					794 134								
32	Ehlanzeni District	MP	656 659		656 659		4 558 568								
33	Gertruida District	MP													
34	Nkangala District	MP					868 735								
35	Frances Baard District	NC													
36	John Taolo Gaetsewe District	NC	5 105 636		5 105 636										350 000
37	Namakwa District	NC					312 928								
38	Pietermaritzburg Municipality	NC	3 819 485		3 819 485		4 965 711					6 831			1 773 837
39	Bojanala Platinum District	NW					8 447 378								
40	Dr Kenneth Kaunda District	NW					33 407 913								
41	Cape Winelands District	WC					2 726 239								11 700
42	Central Karoo District	WC	4 197 138		4 197 138		802 094								
43	Eden District	WC	71 910 000		71 910 000		74 031 817								
44	Overberg District	WC	5 016 475		5 016 475										934 989
45	West Coast District	WC					2 170 000								2 170 000



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets					
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total								
Local municipalities																		
46	Amaahlati	EC																
47	Blue Crane Route	EC																
48	Buffalo City	EC							441 000 000					199 703	78 000 000	347 200 000		
49	Camdeboo	EC								69 016								
50	Elundini	EC									181 804							
51	Emaahlani	EC							18 000 000									
52	Engcobo	EC	2 500 000						11 500 000	141 196	1 100 000							
53	Gariep	EC	49 161 396						936 916		223 463			41 752				
54	Great Kei	EC	6 300 000						6 900 000									
55	Ikwezi	EC																6 500 000
56	Inguza Hill	EC								24 632				888 325				
57	Inkwanca	EC		37 200					2 109 000					713 499				
58	Intsika	EC							15 645 860					2 269				
59	Inxuba Yethemba	EC	420 141						5 752 580					5 936				
60	King Sabata Dalindyebo	EC	1 400 000	625 000					55 000 000									
61	Koukamma	EC	32 400 000	21 400 000					880 674					117 426	19 200 000			
62	Lukhanji	EC							1 500 000					288 092	6 700 000			
63	Makana	EC	47 828 748						19 850 869					2 507 196				
64	Maletswai	EC	3 418 745	4 971 801										63 944	3 642 710			
65	Matatiele	EC								243 906	123 646							
66	Mbashe	EC							25 800 000					1 864 577				4 368 081
67	Mbizana	EC							3 800 000									
68	Mhlonlo	EC	7 222 389								809 017			34 538				
69	Mngoma	EC												162 597				
70	Ndlambe	EC	15 644 000						25 400 000									29 491 160



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
71	Ngqushwa	EC					3 527 236					437 046		
72	Mkonkobe	EC	558 184			558 184	2 082 615							13 012 530
73	Ntambankulu	EC	23 026 689			23 026 689	1 731 264							
74	Nyandeni	EC												
75	Port St Johns	EC												
76	Sakhiszwe	EC					38 800 000				180 000			
77	Senqu	EC	1 900 000			1 900 000	1 568 252				2 775 221			
78	Sundays River Valley	EC												
79	Isolwana	EC	2 935 661			2 935 661	11 682 176				1 166 822		484 503	
80	Umtzimvubu	EC	12 739 492			12 739 492	1 600 000						6 900 000	
81	Dhlabang	FS					26 210 087							100 132 551
82	Kopanong	FS	58 414 061			58 414 061	33 604 734				641 488		12 503 838	53 192 467
83	Letsemeng	FS					676 646						12 946 984	
84	Mafube	FS					42 442 960	1 502 010			7 914 155		17 009 714	38 555 473
85	Maluti - A - Phofung	FS	731 230			731 230	80 321 364	778 484						
86	Mangaung	FS	56 213 592			56 213 592	63 920 143				6 431 067			83 081 404
87	Mantsopa	FS	3 302 696			3 302 696	2 478 868				29 986			6 505 373
88	Mafihabeng	FS	216 155 588			216 155 588	28 140 651	2 888 042			14 171 466		71 400 000	208 760 412
89	Metsimahalo	FS					23 001 113	1 62 395			2 960 894			53 238 790
90	Mohokare	FS					25 788 492		1 480 066		834 841			45 661 073
91	Ngwathe	FS	168 885 987			168 885 987	3 773 146				21 600 397			132 344 941
92	Nketoana	FS	13 212 201			13 212 201	2 067 793				1 498			4 734 059
93	Phumelela	FS					9 953 715				5 342 409			19 215 711
94	Seisoto	FS	72 195 227			72 195 227	5 444 347	1 183 153		914 496	736 718			58 650 913
95	Tswelopele	FS	6 791 189			6 791 189								6 828 833
96	Emfuleni	GP											246 468 376	



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	
			Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
97	Kungwini	GP					25 969 162					2 654 842		
98	Lesedi	GP											11 399 010	
99	Merafong City	GP	54 058 000			54 058 000	2 580 963						16 444 328	
100	Midvaal	GP											14 785 813	
101	Mogale City	GP	11 874 665			11 874 665						900 415	70 782 306	
102	Nokeng Tsa Taemane	GP											5 492 463	
103	Randfontein	GP											25 661 828	
104	Westonaria	GP										4 370 081	16 858 740	
105	Abuquusi	KZN					3 156 874						18 128 000	
106	Dantrauser	KZN												
107	eDumbe	KZN	37 018 288			37 018 288	18 860 095		201 218			278 807		
108	eMadlageni	KZN										32 382	2 695 000	
109	Emnambithi / Ladysmith	KZN	82 393 830			82 393 830								
110	Endumeni	KZN											6 926 000	
111	Eziqoleni	KZN	3 386 000			3 386 000								
112	Greater Kokstad	KZN					478 136					50 081	5 370 000	
113	Hlabisa Coast	KZN											1 250 000	
114	Hlabisa	KZN	7 554 407			7 554 407	658 701							
115	Imbabazane	KZN												
116	Impendle	KZN												
117	Indaka	KZN	2 897 000			2 897 000	481 014							
118	Ingwe	KZN					1 377 000					111 184		
119	Jozini	KZN					56 320							
120	Kwa Sani	KZN					1 624 000							
121	Kwadukuzi	KZN					33 013 671						15 900 000	
122	Mandeni	KZN					40 064 458					162 804		



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
123	Maphumulo	KZN	15 195 688			15 195 688	2 845 883					2 845 883		
124	Mfolazi	KZN			3 440 006	3 440 006	3 440 006					295 934		
125	Mkhambathini	KZN												
126	Mpofana	KZN											3 436 293	25 930 672
127	Msinga	KZN					15 063 005					15 063 005		
128	Msunduzi	KZN					19 326 005					19 326 005	2 560 609	129 947 740
129	Mthonjaneni	KZN	6 288 761			6 288 761								
130	Mtubatuba	KZN					71 387			857 538		928 925		
131	Ndwedwe	KZN					394 236					394 236		
132	Newcastle	KZN					22 260 000					22 260 000	2 500 000	
133	Nkandla	KZN					207 250					207 250	29 474	
134	Nongoma	KZN										159 402		
135	Nquthu	KZN											1 061 000	
136	Ntambanana	KZN					356 883					356 883		
137	Okhahlamba	KZN					965 427					965 427		
138	Richmond	KZN												
139	The Big Five False Bay	KZN										617 469		
140	Uhuhlebezwe	KZN										563 000	48 223	
141	Ulundi	KZN	8 010 072			8 010 072							4 661 105	
142	Umtoni	KZN	12 307 945			12 307 945	218 027					218 027		
143	Umlhlabuyalingana	KZN					2 828 702					2 828 702	5 460 693	
144	uMhlatuze	KZN												10 578 000
145	Umlalazi	KZN					465 952					465 952		
146	Umgweni	KZN					2 967 296					2 967 296	266 826	10 169 273
147	uMshwathi	KZN												
148	Umtshezi	KZN	10 200 000			10 200 000								



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Material losses	Material impairment of assets		
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
149	Umuziwabantu	KZN	430 459			430 459	1 500				1 500	7 849	1 678 000	
150	Umvoti	KZN					3 089 000				3 089 000			
151	uMzimkhulu	KZN					2 831 000	253 267			3 084 267		562 800	
152	Umkhumbi	KZN	2 404 681			2 404 681	1 677 641	2 881 042			4 558 683			
153	uPhongolo	KZN											2 283 597	
154	Vulamehlo	KZN					10 039 819				10 039 819			
155	Aganang	LP								746 374	746 374	61 158		
156	BePhalaborwa	LP	82 309 273	4 808 696	302 211	87 420 180	277 561	51 653			329 214	176 329		
157	BeLaBela	LP												
158	Blouberg	LP	5 277 517			5 277 517				14 219 894	14 219 894			
159	Elias Motsoaledi (Greater Groblersdal)	LP								21 286	21 286	8 449		
160	Fetakgomo	LP												
161	Greater Giyani	LP	3 669 573			3 669 573	11 816 087	339 665			12 155 702	214 417		
162	Greater Letaba	LP												
163	Greater Tzaneen	LP		21 700 000		21 700 000								
164	Lephalale	LP												
165	Makhado	LP			1 202 130	1 202 130								
166	Makhudutimagaga	LP		2 406 070		2 406 070						4 304		
167	Maruleng	LP	2 783 093			2 783 093								
168	Modimolle	LP	9 038 658			9 038 658	1 249 168				1 249 168	3 311 388		
169	Mogalakwena	LP	12 030 473			12 030 473	29 010 197				29 010 197			
170	Molemole	LP	14 583 131			14 583 131						1 639 001		
171	Moogophong	LP												
172	Musina	LP								12 035 615	17 884 136	28 534		
173	Mutale	LP	249 963		222 600	472 563				6 302 522	6 302 522	140 385		

ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
174	Polokwane	LP	10 410 556	20 021 741		30 432 297								
175	Thabazimbi	LP	54 822 386			54 822 386	9 483 581							
176	Thulamela	LP			30 501 022	30 501 022	241 309							
177	Tubatse	LP												
178	Bushbuckridge	MP	113 538 061	43 396 788		156 934 849	142 327 064							
179	Dipoliseng	MP												
180	Dr JS Moroka	MP												
181	Emakhazeni	MP												
182	Emalahleni	MP	111 853 622			111 853 622	17 626 615						233 719 237	
183	Govan Mbeki	MP	15 689 456			15 689 456	1 984 832							
184	Lekwa	MP	2 153 326			2 153 326								
185	Mbombela	MP					39 857 538							
186	Muskatlwa	MP												
187	Nkomazi	MP	128 464 663			128 464 663								
188	Pikey Ka Seme (Volksrust)	MP					8 871 045							
189	Steve Tshwete	MP					1 342 503							
190	Thaba Chweu	MP					16 745 372							
191	Thembsile Hani	MP					20 922 975							
192	Umjindi Municipality	MP												
193	Victor Khanye	MP												
194	iKheis	NC		965 736		965 736								990 000
195	//Kharo Haas	NC												2 949 000
196	Dikgatlong	NC	18 080 663	14 503 660		32 584 323	1 009 694	1 063 469						28 140 899
197	Ehlanjeni	NC					7 287 868						695 230	15 864 000
198	Garragara	NC	9 320 078			9 320 078	638 970							
199	Gr-Segonyana	NC	225 129			225 129	1 864 186	92 855						418 400



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	
			Over-spending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
200	Hantam	NC					3 633 123					24 213		
201	Kamiesberg	NC	40 284			40 284	3 316 461			398 749				4 934 000
202	Kareeberg	NC												894 000
203	Karoo Hoogland	NC	3 771 427			3 771 427	699 481							
204	Khair-Ma	NC	2 651 419			2 651 419	1 111 580			1 871 641		273 098	1 786 388	
205	Mier	NC	119 351			119 351				2 529 670				
206	Phokwane	NC	26 730 580			26 730 580	39 427 179			32 682		98 676	1 095 000	3 674 000
207	Richtersveld	NC			23 512 551	23 512 551	5 431 708						368 131	11 685 026
208	Siyathamba	NC	7 622 405			7 622 405	9 219 787					342 065		5 130 000
209	Sol Plaatje	NC					69 332 086					57 938	10 126 587	104 693 453
210	Ubutu	NC			6 281 701	6 281 701	4 358 582					140 472		3 542 000
211	Unsobonvu	NC					96 109						3 708 723	42 835 414
212	Greater Tzong	NW	7 416 393			7 416 393	56 346 354					977 559		
213	Lekwa-Teemane	NW					3 771 965					2 594 323		
214	Matlana	NW	324 708 853			324 708 853	7 961 710							
215	Moses Kotane	NW					128 846 106							
216	Ramatshepe Molloa	NW					18 428 491							
217	Ratou	NW					10 581 393							
218	Rusterburg	NW	17 674 469			17 674 469	14 114 807							
219	Tlokwe	NW	45 960 910			45 960 910	95 235 050					1 126 504		
220	Beaufort West	WC	17 255 480			17 255 480	33 048 263						2 180 339	
221	Berg River	WC	23 308 068			23 308 068	26 132						4 549 092	8 974 958
222	Bitou	WC		9 809 830		9 809 830	18 973 556					1 490 971	1 477 628	
223	Breedee Valley	WC	7 337 828			7 337 828	11 758 217					683 641	32 942 022	
224	Cape Agulhas	WC	29 438 140			29 438 140	1 248 322							
225	Cederberg	WC											4	



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets			
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total						
226	Drakenstein	WC					1 119 921									
227	George	WC	9 281 951			9 281 951	265 984 121									
228	Hessequa	WC														
229	Kannaland	WC	25 279 512			25 279 512	609 948					331 460		940 119		
230	Knysna	WC	22 500 021			22 500 021	29 368 874					18 759	13 107 907			
231	Lingsburg	WC					1 810 558									
232	Langeberg	WC	12 459 543			12 459 543	1 443 035									
233	Matzikama	WC	10 225 214			10 225 214	9 835 919			504 712						
234	Mossel Bay	WC					54 371					1 767	3 873 170			
235	Overstrand	WC														
236	Prince Albert	WC	6 450 000			6 450 000	3 875 603									
237	Saldanha Bay	WC					57 931 180					243 594	17 684 774			
238	Stellenbosch	WC	8 367 709			8 367 709	1 490 489					235 569		12 700 929		
239	Swartland	WC														
240	Theewaterskloof	WC	8 780 520			8 780 520	1 365 104					118 071				
241	Witzenberg	WC	13 192 216			13 192 216	758 366						6 944 335			
Municipal entities																
1	Amathole Economic Development Agency	EC														
2	Blue Crane Route Development Agency	EC														
3	Buffalo City Development Agency	EC					46 622					164				
4	Kouga Development Agency	EC					118 816									
5	Mandela Bay Development Agency	EC										20 380				
6	Ningga OR Tambo Development Agency	EC					5 064 923									



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Material losses	Material impairment of assets
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total		
7	Centlec (Pty) Ltd	FS					44 470 536			44 470 536	12 688 200	10 525 297
8	Fezile Dabi District Municipality Trust	FS										
9	Lejwe Le Putswa Development Agency (Pty) Ltd	FS										
10	Maluti-A-Phofung Water (Pty) Ltd	FS					22 994 308			22 994 308	111 372	
11	Metsimaholo Mayoral Trust	FS										
12	Brakpan Bus Company	GP										
13	Civirelo Water	GP						673 572		673 572	837 486	
14	Ekurhuleni Development Company (Pty) Ltd	GP					909 684			909 684		
15	Erwat	GP										9 840 155
16	Housing Company Ishwane	GP									181 551	
17	Joburg Property Company	GP									790 601	
18	Johannesburg City Parks	GP										
19	Johannesburg Civic Theatre	GP										
20	Johannesburg Development Agency	GP										
21	Johannesburg Fresh Produce Market	GP					515 000			515 000	130 497	
22	Johannesburg Metropolitan Bus Services	GP						24 000		24 000		
23	Johannesburg Roads Agency	GP										
24	Johannesburg Social Housing Company	GP										
25	Johannesburg Tourism Company	GP					83 300			83 300		



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets	
			Overpending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total				
26	Johannesburg Zoo	GP	4 390 862			4 390 862						125 805		
27	Lethabong Housing Institute	GP												
28	Metropolitan Trading Company	GP										36 118	4 857 810	
29	Pharoe Park Housing Company (Pty) Ltd	GP					214 506							
30	Phase 2 Housing Company (Pty) Ltd	GP					272 058							
31	Pikitup Johannesburg	GP	1 500 886 275			1 500 886 275						5 229 821		
32	Rodepoort Civic Theatre	GP												
33	Sandspruit Works	GP							159 980			1 160 156		
34	West Rand Development Agency	GP					3 106 515							
35	Durban Marine Theme Park (Pty) Ltd	KZN					3 156 217							
36	Hibiscus Coast Development Agency	KZN												
37	ICC, Durban (Pty) Ltd	KZN					19 120 803							
38	Ilembe Management Development Enterprise (Pty) Ltd	KZN					9 363 200							
39	Ugu South Coast Tourism	KZN					36 818							
40	Umhloshinga Development Agency	KZN										115 732		
41	Uthukela Water (Pty) Ltd	KZN					2 713 000					273 093		
42	Polokwane Housing Association	LP					559 600							
43	Zelny 1903 (Pty) Ltd Trading as Letsema	LP										1 651		



ANNEXURE 3: Auditees with unauthorised, irregular, and fruitless and wasteful expenditure and material losses

Number	Auditee	Province	Nature and extent of unauthorised expenditure				Nature and extent of irregular expenditure				Fruitless and wasteful expenditure	Material losses	Material impairment of assets		
			Overspending	Expenditure unrelated to functional area	Spending not in accordance with conditions of allocation	Total	Supply chain management related	Compensation of employees related	Other	Total					
44	Rustenburg Water Services Trust	NW													
45	SDN Economic Agency (Pty) Ltd	NW										19 469			
46	Cape Town International Convention Centre	WC													
47	Khayelisha Community Trust	WC													
48	Knysna Economic Development Agency	WC													
49	Overstrand Local Economic Development Agency	WC													

ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance							Governance								
			Effective leadership culture	Oversight responsibility	HR Management	Polices & procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT Systems controls	Risk management	Internal audit	Audit committee														
			F	P	C	C	F	P	C	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C		
Municipalities																														
Metropolitan municipalities																														
1	Nelson Mandela Bay Metro	EC																												
2	Ekuhuleni Metro	GP																												
3	Tshwane Metropolitan Municipality	GP																												
4	eThekweni	KZN																												
5	City of Cape Town	WC																												
District municipalities																														
6	Amatole District	EC																												
7	Cacadu District	EC																												
8	Chris Hani District	EC																												
9	Joe Gqabi District	EC																												
10	OR Tambo District	EC																												
11	Fezile Dabi District	FS																												
12	Lejweletswa District	FS																												
13	Mofheo District	FS																												
14	Thabo Mofutsanyana District	FS																												
15	Xhariep District	FS																												
16	Metsweding District	GP																												
17	Sediberg District	GP																												
18	West Rand District	GP																												
19	Anajuba District	KZN																												
20	Ilembe District	KZN																												
21	Sisonke District	KZN																												
22	Ugu District	KZN																												
23	Umgungundlovu District	KZN																												
24	Umkhathathazi District	KZN																												
25	Uthukela District	KZN																												



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance							Governance																	
			Effective leadership culture		Oversight responsibility		HR Management		Policies & procedures		Action plans		IT governance		Proper record keeping			Processing and reconciling controls		Reporting		Compliance		IT Systems controls			Risk management			Internal audit			Audit committee						
			F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C				
26	Uthungulu District	KZN																																					
27	Zululand District	KZN																																					
28	Capricorn District	LP																																					
29	Greater Sekhukhune District	LP																																					
30	Vhembe District	LP																																					
31	Waterberg District	LP																																					
32	Ehlanzeni District	MP																																					
33	Geert Sibande District	MP																																					
34	Nkangala District	MP																																					
35	Frances Baard District	NC																																					
36	John Taolo Gaetsewe District	NC																																					
37	Namakwa District	NC																																					
38	Pieter van Rensburg Municipality	NC																																					
39	Bojanala Platinum District	NW																																					
40	Dr Kenneth Kaunda District Municipality	NW																																					
41	Cape Winelands District	WC																																					
42	Central Karoo District	WC																																					
43	Eden District	WC																																					
44	Overberg District	WC																																					
45	West Coast District	WC																																					
Local municipalities																																							
46	Amahlihi	EC																																					
47	Blue Crane Route	EC																																					
48	Buffalo City	EC																																					
49	Comdeboo	EC																																					
50	Eturidini	EC																																					
51	Emlahlani	EC																																					
52	Engcobo	EC																																					



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance								Governance																					
			Effective leadership culture			Oversight responsibility			HR Management			Policies & procedures			Action plans			IT governance			Proper record keeping			Processing and reconciling controls			Reporting			Compliance			IT Systems controls			Risk management			Internal audit			Audit committee		
			F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C			
82	Kapaong	FS																																										
83	Letsemeng	FS																																										
84	Mafube	FS																																										
85	Mauri - A - Phofung	FS																																										
86	Mangaung	FS																																										
87	Manisapa	FS																																										
88	Matjhabeng	FS																																										
89	Metshaholo	FS																																										
90	Mohokare	FS																																										
91	Ngwathe	FS																																										
92	Nketoana	FS																																										
93	Phumelela	FS																																										
94	Sesoto	FS																																										
95	Tswelopele	FS																																										
96	Enfuleni	GP																																										
97	Kungwini	GP																																										
98	Lesedi	GP																																										
99	Meritong City	GP																																										
100	Midvaal	GP																																										
101	Mogale City	GP																																										
102	Nokeng Isa Tsaemame	GP																																										
103	Randfontein	GP																																										
104	Westonaria	GP																																										
105	Abaqulusi	KZN																																										
106	Danmthaus	KZN																																										
107	eDumbe	KZN																																										
108	eMahlageni	KZN																																										
109	Ennamabithi / Ladysmith	KZN																																										
110	Endumeni	KZN																																										



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance						Governance								
			Effective leadership culture		Oversight responsibility		HR Management		Policies & procedures		Action plans		IT governance		Proper record keeping		Processing and reconciling controls		Reporting		Compliance		IT Systems controls		Risk management		Internal audit		Audit committee
			F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
111	Ezinqoleni	KZN																											
112	Greater Kokstad	KZN																											
113	Hlabisa Coast	KZN																											
114	Hlabisa	KZN																											
115	Imbabazane	KZN																											
116	Impendle	KZN																											
117	Indakha	KZN																											
118	Ingwe	KZN																											
119	Jozini	KZN																											
120	Kwa Sani	KZN																											
121	Kwadukuza	KZN																											
122	Mandeni	KZN																											
123	Maphumulo	KZN																											
124	Mfolozi	KZN																											
125	Mkhambathini	KZN																											
126	Mpotana	KZN																											
127	Msinga	KZN																											
128	Msunduzi	KZN																											
129	Mthonjaneni	KZN																											
130	Mtubatuba	KZN																											
131	Naivehwe	KZN																											
132	Newcastle	KZN																											
133	Nkandla	KZN																											
134	Nongoma	KZN																											
135	Nquthu	KZN																											
136	Ntambanana	KZN																											
137	Okhahlamba	KZN																											
138	Richmond	KZN																											
139	The Big Five False Bay	KZN																											
140	Uthulebezwe	KZN																											



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance						Governance																				
			Effective leadership culture		Oversight responsibility		HR Management		Policies & procedures		Action plans		IT governance		Proper record keeping		Processing and reconciling controls		Reporting		Compliance		IT Systems controls		Risk management		Internal audit		Audit committee												
			F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C			
141	Ulundi	KZN																																							
142	Umdoni	KZN																																							
143	Umhlabuyalingana	KZN																																							
144	uMhlatuze	KZN																																							
145	Umlalazi	KZN																																							
146	Umgweni	KZN																																							
147	uMshwathi	KZN																																							
148	Umtshezi	KZN																																							
149	Umuziwabantu	KZN																																							
150	Umvoti	KZN																																							
151	uMzimkhulu	KZN																																							
152	Unzumbhe	KZN																																							
153	uPhongolo	KZN																																							
154	Vulamehlo	KZN																																							
155	Aganang	LP																																							
156	Bc-Phalaborwa	LP																																							
157	Bela-Bela	LP																																							
158	Blouberg	LP																																							
159	Elias Motsoaledi (Greater Groblersdal)	LP																																							
160	Fetakgomo	LP																																							
161	Greater Giyani	LP																																							
162	Greater Letaba	LP																																							
163	Greater Tzameen	LP																																							
164	Lephalale	LP																																							
165	Makhado	LP																																							
166	Makhudutamaga	LP																																							
167	Maruleng	LP																																							
168	Modimolle	LP																																							



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance						Governance																				
			Effective leadership culture			Oversight responsibility			HR Management			Policies & procedures			Action plans			IT governance			Proper record keeping		Processing and reconciling controls		Reporting		Compliance		IT Systems controls		Risk management		Internal audit		Audit committee						
			F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
169	Mogalakwena	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
170	Molemole	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
171	Mookgophong	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
172	Musina	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
173	Mutale	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
174	Polokwane	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
175	Thabazimbi	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
176	Thulamela	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
177	Tubatse	LP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
178	Bushbuckridge	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
179	Dipaliseng	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
180	Dr JS Moroka	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
181	Emakhazeni	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
182	Enalahleni	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
183	Govan Mbeki	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
184	Lekwa	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
185	Mbombela	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
186	Muskaligwa	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
187	Nkomazi	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
188	Pxley Ka Seme (Volksrust)	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
189	Steve Tshwete	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
190	Thaba Chweu	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
191	Thembisile Hani	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
192	Urinjini Municipality	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
193	Victor Khanye	MP	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
194	IKheis	NC	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
195	//Khara Haes	NC	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
196	Dikgatlong	NC	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
197	Enthamjeni	NC	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
198	Gamagara	NC	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance												Governance																																				
			Effective leadership culture				Oversight responsibility				HR Management				Policies & procedures				Action plans				IT governance				Proper record keeping				Processing and reconciling controls				Reporting				Compliance				IT Systems controls				Risk management				Internal audit				Audit committee								
			F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F
199	Go-Segonyana	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
200	Hantam	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
201	Kamiesberg	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
202	Kareeberg	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
203	Karoo Hoogland	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
204	Khai-Ma	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
205	Mier	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
206	Phokwane	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
207	Richtersveld	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
208	Siyathemba	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
209	Sol Plaatjie	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
210	Ubutu	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
211	Umsobomvu	NC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
212	Greater Taung	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
213	Lekwa-Teemane	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
214	Matlaseana	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
215	Moses Kotane	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
216	Ramotshere Moiloa	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
217	Ratou	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
218	Rustenburg	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
219	Tlokwe	NW	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
220	Beaufort West	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
221	Berg River	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
222	Bitou	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
223	Breedte Valley	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
224	Cape Agulhas	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
225	Cederberg	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
226	Drakenstein	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
227	George	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													
228	Hessequa	WC	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C	F	P	C	C													



ANNEXURE 4: Assessment of auditees' key controls at the time of the audit

Number	Auditee	Province	Leadership												Financial and performance												Governance								
			Effective leadership culture		Oversight responsibility		HR Management		Policies & procedures		Action plans		IT governance		Proper record keeping	Processing and reconciling controls		Reporting		Compliance		IT Systems controls		Risk management		Internal audit		Audit committee							
			F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C	F	P	C
10	Mulit-A-Phofung Water (Pty) Ltd	FS	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
11	Metsimaholo Mayoral Trust	FS	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
12	Brakpan Bus Company	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
13	Civirelo Water	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
14	Ekuhulemi Development Company (Pty) Ltd	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
15	Erwat	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
16	Housing Company Tshwane	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
17	Joburg Property Company	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
18	Johannesburg City Parks	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
19	Johannesburg Civic Theatre	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
20	Johannesburg Development Agency	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
21	Johannesburg Fresh Produce Market	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
22	Johannesburg Metropolitan Bus Services	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
23	Johannesburg Roads Agency	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
24	Johannesburg Social Housing Company	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
25	Johannesburg Tourism Company	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
26	Johannesburg Zoo	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
27	Lehlabong Housing Institute	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
28	Metropolitan Trading Company	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
29	Pharoe Park Housing Company (Pty) Ltd	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C
30	Phase 2 Housing Company (Pty) Ltd	GP	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C	F	F	C



ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
Municipalities								
Metropolitan municipalities								
1	Nelson Mandela Bay Metro	EC						
2	Ekurhuleni Metro	GP						
3	Tshwane Metropolitan Municipality	GP						
4	eThekweni	KZN						
5	City of Cape Town	WC						
District municipalities								
6	Amatole District	EC						
7	Cacadu District	EC						
8	Chris Hani District	EC						
9	Joe Gqabi District	EC						
10	OR Tambo District	EC						
11	Fezile Dabi District	FS						
12	Lejweleputswa District	FS						
13	Motheo District	FS						
14	Thabo Mofutsanyana District	FS						
15	Xhariep District	FS						
16	Metsweding District	GP						
17	Sedibeng District	GP						
18	West Rand District	GP						
19	Amajuba District	KZN						
20	Ilembe District	KZN						
21	Sisonke District	KZN						
22	Ugu District	KZN						
23	Umgungundlovu District	KZN						
24	Umzinyathi District	KZN						
25	Uthukela District	KZN						
26	Uthungulu District	KZN						
27	Zululand District	KZN						
28	Capricorn District	LP						
29	Greater Sekhukhune District	LP						
30	Vhembe District	LP						
31	Waterberg District	LP						
32	Ehlanzeni District	MP						
33	Gert Sibande District	MP						
34	Nkangala District	MP						
35	Frances Baard District	NC						

ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
36	John Taolo Gaetsewe District	NC						
37	Namakwa District	NC						
38	Pixley Ka Seme District Municipality	NC						
39	Bojanala Platinum District	NW						
40	Dr. Kenneth Kaunda District	NW						
41	Cape Winelands District	WC						
42	Central Karoo District	WC						
43	Eden District	WC						
44	Overberg District	WC						
45	West Coast District	WC						
Local municipalities								
46	Amahlati	EC						
47	Blue Crane Route	EC						
48	Buffalo City	EC						
49	Camdeboo	EC						
50	Elundini	EC						
51	Emalahleni	EC						
52	Engcobo	EC						
53	Gariep	EC						
54	Great Kei	EC						
55	Ikwezi	EC						
56	Inguza Hill	EC						
57	Inkwanca	EC						
58	Intsika Yethu	EC						
59	Inxuba Yethemba	EC						
60	King Sabata Dalindyebo	EC						
61	Koukamma	EC						
62	Lukhanji	EC						
63	Makana	EC						
64	Maletswai	EC						
65	Matatiele	EC						
66	Mbhashe	EC						
67	Mbizana	EC						
68	Mhlontlo	EC						
69	Mnquma	EC						
70	Ndlambe	EC						
71	Ngqushwa	EC						
72	Nkonkobe	EC						



ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
73	Ntabankulu	EC						
74	Nyandeni	EC						
75	Port St Johns	EC						
76	Sakhisizwe	EC						
77	Senqu	EC						
78	Sundays River Valley	EC						
79	Tsolwana	EC						
80	Umzimvubu	EC						
81	Dhlabeng	FS						
82	Kopanong	FS						
83	Letsemeng	FS						
84	Mafube	FS						
85	Maluti - A - Phofung	FS						
86	Mangaung	FS						
87	Mantsopa	FS						
88	Matjhabeng	FS						
89	Metsimaholo	FS						
90	Mohokare	FS						
91	Ngwathe	FS						
92	Nketoana	FS						
93	Phumelela	FS						
94	Setsoto	FS						
95	Tswelopele	FS						
96	Emfuleni	GP						
97	Kungwini	GP						
98	Lesedi	GP						
99	Merafong City	GP						
100	Midvaal	GP						
101	Mogale City	GP						
102	Nokeng Tsa Taemane	GP						
103	Randfontein	GP						
104	Westonaria	GP						
105	Abaqulusi	KZN						
106	Dannhauser	KZN						
107	eDumbe	KZN						
108	eMadlageni	KZN						
109	Emnambithi / Ladysmith	KZN						
110	Endumeni	KZN						

ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
111	Ezingoleni	KZN						
112	Greater Kokstad	KZN						
113	Hibiscus Coast	KZN						
114	Hlabisa	KZN						
115	Imbabazane	KZN						
116	Impendle	KZN						
117	Indaka	KZN						
118	Ingwe	KZN						
119	Jozini	KZN						
120	Kwa Sani	KZN						
121	Kwadukuza	KZN						
122	Mandeni	KZN						
123	Maphumulo	KZN						
124	Mfolozi	KZN						
125	Mkhambathini	KZN						
126	Mpofana	KZN						
127	Msinga	KZN						
128	Msunduzi	KZN						
129	Mthonjaneni	KZN						
130	Mtubatuba	KZN						
131	Ndwedwe	KZN						
132	Newcastle	KZN						
133	Nkandla	KZN						
134	Nongoma	KZN						
135	Nquthu	KZN						
136	Ntambanana	KZN						
137	Okhahlamba	KZN						
138	Richmond	KZN						
139	The Big Five False Bay	KZN						
140	Ubuhlebezwe	KZN						
141	Ulundi	KZN						
142	Umdoni	KZN						
143	Umhlabyalingana	KZN						
144	uMhlathuze	KZN						
145	Umlalazi	KZN						
146	Umngeni	KZN						
147	uMshwathi	KZN						
148	Umtshezi	KZN						



ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
149	Umuziwabantu	KZN						
150	Umvoti	KZN						
151	uMzimkhulu	KZN						
152	Umzumbe	KZN						
153	uPhongolo	KZN						
154	Vulamehlo	KZN						
155	Aganang	LP						
156	Ba-Phalaborwa	LP						
157	Bela-Bela	LP						
158	Blouberg	LP						
159	Elias Motsaledi (Greater Groblersdal)	LP						
160	Fetakgomo	LP						
161	Greater Giyani	LP						
162	Greater Letaba	LP						
163	Greater Tzaneen	LP						
164	Lephalale	LP						
165	Makhado	LP						
166	Makhudutamaga	LP						
167	Maruleng	LP						
168	Modimolle	LP						
169	Mogalakwena	LP						
170	Molemole	LP						
171	Mookgophong	LP						
172	Mutale	LP						
173	Polokwane	LP						
174	Thabazimbi	LP						
175	Thulamela	LP						
176	Tubatse	LP						
177	Bushbuckridge	MP						
178	Dipaliseng	MP						
179	Dr. JS Moroka	MP						
180	Emakhazeni	MP						
181	Emalahleni	MP						
182	Govan Mbeki	MP						
183	Lekwa	MP						
184	Mbombela	MP						
185	Msukaligwa	MP						
186	Nkomazi	MP						

ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
187	Pixley Ka Seme (Volksrust)	MP						
188	Steve Tshwete	MP						
189	Thaba Chweu	MP						
190	Thembisile Hani	MP						
191	Umjindi Municipality	MP						
192	Victor Khanye	MP						
193	!Kheis	NC						
194	//Khara Hais	NC						
195	Dikgatlong	NC						
196	Emthanjeni	NC						
197	Gamagara	NC						
198	Ga-Segonyana	NC						
199	Hantam	NC						
200	Kamiesberg	NC						
201	Kareeberg	NC						
202	Karoo Hoogland	NC						
203	Khai-Ma	NC						
204	Mier	NC						
205	Phokwane	NC						
206	Richtersveld	NC						
207	Siyathemba	NC						
208	Sol Plaatjie	NC						
209	Ubuntu	NC						
210	Umsobomvu	NC						
211	Greater Taung	NW						
212	Lekwa-Teemane	NW						
213	Matlosana	NW						
214	Moses Kotane	NW						
215	Ramotshere Moiloa	NW						
216	Ratlou	NW						
217	Rustenburg	NW						
218	Tlokwe	NW						
219	Beaufort West	WC						
220	Berg River	WC						
221	Bitou	WC						
222	Breede Valley	WC						
223	Cape Agulhas	WC						
224	Cederberg	WC						



ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
225	Drakenstein	WC						
226	George	WC						
227	Hessequa	WC						
228	Kannaland	WC						
229	Knysna	WC						
230	Laingsburg	WC						
231	Langeberg	WC						
232	Matzikama	WC						
233	Mossel Bay	WC						
234	Overstrand	WC						
235	Prince Albert	WC						
236	Saldanha Bay	WC						
237	Stellenbosch	WC						
238	Swartland	WC						
239	Theewaterskloof	WC						
240	Witzenberg	WC						
Municipal entities								
1	Amathole Economic Development Agency	EC						
2	Blue Crane Route Development Agency	EC						
3	Buffalo City Development Agency	EC						
4	Kouga Development Agency	EC						
5	Mandela Bay Development Agency	EC						
6	Ntinga OR Tambo Development Agency	EC						
7	Centlec (Pty) Ltd	FS						
8	Fezile Dabi District Municipality Trust	FS						
9	Lejwe Le Putswa Development Agency (Pty) Ltd	FS						
10	Maluti-A-Phofung Water (Pty) Ltd	FS						
11	Metsimaholo Mayoral Trust	FS						
12	Brakpan Bus Company	GP						
13	Civirelo Water	GP						
14	Ekurhuleni Development Company (Pty) Ltd	GP						
15	Erwat	GP						
16	Housing Company Tshwane	GP						
17	Joburg Property Company	GP						
18	Johannesburg City Parks	GP						
19	Johannesburg Civic Theatre	GP						
20	Johannesburg Development Agency	GP						
21	Johannesburg Fresh Produce Market	GP						



ANNEXURE 5: Auditees with key findings on supply chain management

Number	Auditee	Province	Limitation on audit of awards	Awards to persons in service of state	Awards to close family members in service of state	Uncompetitive/unfair processes	Inadequate contract management	Inadequate controls
22	Johannesburg Metropolitan Bus Services	GP						
23	Johannesburg Roads Agency	GP						
24	Johannesburg Social Housing Company	GP						
25	Johannesburg Tourism Company	GP						
26	Johannesburg Zoo	GP						
27	Lethabong Housing Institute	GP						
28	Metropolitan Trading Company	GP						
29	Pharoe Park Housing Company (Pty) Ltd	GP						
30	Phase 2 Housing Company (Pty) Ltd	GP						
31	Pikitup Johannesburg	GP						
32	Roodepoort Civic Theatre	GP						
33	Sandspruit Works	GP						
34	West Rand Development Agency	GP						
35	Durban Marine Theme Park (Pty) Ltd	KZN						
36	Hibiscus Coast Development Agency	KZN						
37	ICC, Durban (Pty) Ltd	KZN						
38	Ilembe Management Development Enterprise (Pty) Ltd	KZN						
39	Ugu South Coast Tourism	KZN						
40	Umhlozinga Development Agency	KZN						
41	Uthukela Water (Pty) Ltd	KZN						
42	Palokwane Housing Association	LP						
43	Zelny 1903 (Pty) Ltd Trading as Letsema	LP						
44	Dr KKDM Economic Agency (Pty) Ltd	NW						
45	Rustenburg Water Services Trust	NW						
46	Cape Town International Convention Centre	WC						
47	Khayelitsha Community Trust	WC						
48	Knysna Economic Development Agency	WC						
49	Overstrand Local Economic Development Agency	WC						



ANNEXURE 6: Auditees with issues relating to funding of operations/financial sustainability/going concern

Number	Auditee	Province	High reliance on grants / Own revenue generated not sufficient to cover operating costs	Serious challenges being experienced in the recovery of consumer debtors	No cash for unspent grants	Disestablishment / liquidation	Current liabilities exceed current assets	Significant financial challenges
Municipalities								
Metropolitan municipalities								
1	Nelson Mandela Bay Metro	EC						
District municipalities								
2	Motheo District	FS						
3	Metsweding District	GP						
4	Ugu District	KZN						
5	Uthukela District	KZN						
6	Overberg District	WC						
Local municipalities								
7	Elundini	EC						
8	Gariep	EC						
9	Great Kei	EC						
10	Inguza Hill	EC						
11	Inkwanca	EC						
12	Intsika Yethu	EC						
13	Koukamma	EC						
14	Nkonkobe	EC						
15	Ntabankulu	EC						
16	Port St Johns	EC						
17	Sundays River Valley	EC						
18	Kopanong	FS						
19	Letsemeng	FS						
20	Mafube	FS						
21	Mohokare	FS						
22	Ngwathe	FS						
23	Phumelela	FS						
24	Setsotho	FS						
25	Kungwini	GP						
26	Nokeng Tsa Taemane	GP						
27	Westonaria	GP						
28	eDumbe	KZN						
29	Hlabisa	KZN						
30	Maphumulo	KZN						
31	Mfolozi	KZN						
32	Mkhambathini	KZN						

ANNEXURE 6: Auditees with issues relating to funding of operations/financial sustainability/going concern

Number	Auditee	Province	High reliance on grants / Own revenue generated not sufficient to cover operating costs	Serious challenges being experienced in the recovery of consumer debtors	No cash for unspent grants	Disestablishment / liquidation	Current liabilities exceed current assets	Significant financial challenges
33	Msunduzi	KZN						
34	Okhahlamba	KZN						
35	The Big Five False Bay	KZN						
36	Ulundi	KZN						
37	Greater Tzaneen	LP						
38	Mutale	LP						
39	Polokwane	LP						
40	Dr JS Moroka	MP						
41	Lekwa	MP						
42	Thaba Chweu	MP						
43	Thembisile Hani	MP						
44	!Kheis	NC						
45	Dikgatlong	NC						
46	Emthanjeni	NC						
47	Kamiesberg	NC						
48	Khai-Ma	NC						
49	Mier	NC						
50	Phokwane	NC						
51	Siyathemba	NC						
52	Lekwa-Teemane	NW						
Municipal entities								
1	Blue Crane Route Development Agency	EC						
2	Buffalo City Development Agency	EC						
3	Kouga Development Agency	EC						
4	Ntinga OR Tambo Development Agency	EC						
5	Maluti-A-Phofung Water (Pty) Ltd	FS						
6	Metsimaholo Mayoral Trust	FS						
7	Brakpan Bus Company (Pty) Ltd	GP						
8	Civirelo Water	GP						
9	Ekurhuleni Development Company (Pty) Ltd	GP						
10	Housing Company Tshwane	GP						



ANNEXURE 6: Auditees with issues relating to funding of operations/financial sustainability/going concern

Number	Auditee	Province	High reliance on grants / Own revenue generated not sufficient to cover operating costs	Serious challenges being experienced in the recovery of consumer debtors	No cash for unspent grants	Disestablishment / liquidation	Current liabilities exceed current assets	Significant financial challenges
11	Lethabong Housing Institute	GP						
12	Pharoe Park Housing Company (Pty) Ltd	GP						
13	Phase 2 Housing Company (Pty) Ltd	GP						
14	Pikitup Johannesburg	GP						
15	Polokwane Housing Association	LP						
16	Dr KKDM Economic Agency (Pty) Ltd	NW						